



STELLENBOSCH

STELLENBOSCH • PNIEL • FRANSCHHOEK

MUNISIPALITEIT • UMASIPALA • MUNICIPALITY

Stellenbosch Municipality
Annual Financial Statements
for the year ended 30 June 2023

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

Legislation governing the municipality's operations

Constitution of the Republic of south Africa (Act 108 of 1998)
Municipal Finance Management Act (Act 56 of 2003)
Local Government: Municipal Systems Act (Act 32 of 2000)
Local Government: Municipal Structures Act (Act 117 of 1998)
Municipal Property Rates Act (act of 6 2004)
Division of Revenue Act (Act 1 of 2007)

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment

Mayoral committee

Portfolio

Executive mayor and chairperson of mayoral committee
Deputy executive mayor
Speaker
Council WIP
MMC Human settlements
MMC Youth, sport and culture
MMC Planning
MMC Rural management
MMC Community development (parks, open spaces environment)
MMC Corporate services
MMC Financial services
MMC Protection services
MMC Local economic development and tourism
MMC Infrastructure

Councillor

G van Deventer
J Fasser
Q Smit
P Crawley
J Fasser
R Adams
C Van Wyk
J Williams
J Joon

L Nkamisa
P Johnson
R Badenhorst (resigned 1 December 2022)
R Du Toit
Z Dalling

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Council Members

Nr	Surname	Initials	Nr	Surname	Initials
1	Jooste	O	18	Pietersen	W
2	Rataza	M	19	De Taillefer	I
3	Mananga-Gugushe	N	20	Pfeiffer	R
4	Ntsunguzi	N	21	Petersen	W
5	Nalumango	R	22	Manuel	C
6	Crawley	P	23	Van Rooyen	R
7	Kalipa	X	24	Mcombring	N
8	Mdemka	X	25	Ferns	N
9	Hanekom	A	26	Vermeulen	E
10	Crombie	A	27	Serdyn	J
11	Olayi	N	28	Tomose	A
12	Mkhontwana	N	29	Nkopane	M
13	Ndalasi	Z	30	Danana	M
14	Noble	C	31	Masimini	E
15	Van Stade	M	32	Anthony	JC
16	Hendrikse	R	33	Groenewald	E
17	Andrews	J			

Executive management

Position

Municipal Manager
Chief Financial Officer (CFO)
Director: Infrastructure
Director: Corporate Services
Director: Planning and Economic Development
Director: Community and Protection Services

Name

G Mettler
K Carolus
P Chandaka
A de Beer
A Barnes
G Boshoff

Members of the Audit Committee

Chairperson:

Mr L Nene

Members:

Mr V Botto
Mr T Lesihla
Ms J Williams

Registered head office

Plein Street
Stellenbosch
7600

Physical address

Plein Street
Stellenbosch
7600

Postal address

P O Box 17
Stellenbosch
7600

Bankers

First National Bank

Auditors

Auditor-General of South Africa (AGSA)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Abbreviations

ASB	Accounting Standards Board
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
DORA	Division of Revenue Act
DSACR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
LGSETA	Local Government Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSIG	Municipal System Improvement Grant
MSCOA	Municipal standard chart of accounts
SALGA	South African Local Government Association
SAPS	South African Police Services
SCM	Supply Chain Management
SRAC	Sports, Recreation, Arts and Culture

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the Accounting Officer acknowledges that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 36 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

The external auditors, being the Auditor-General of South Africa (AGSA), are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003), which have been prepared on the going concern basis, I have signed on behalf of the municipality on 31 August 2023:



Accounting Officer
Geraldine Mettler

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

	Note(s)	2023 R	2022 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	248 533 953	137 877 710
Short term investments	4	331 767 247	305 522 446
Receivables from exchange transactions	5	217 629 743	169 893 585
Receivables from non-exchange transactions	6	68 615 257	67 176 042
Inventories	7	36 030 865	29 030 067
Other receivables from exchange transactions	8	40 746 627	26 259 756
VAT Control	9	12 014 194	18 651 433
		955 337 886	754 411 039
Non-Current Assets			
Investment property	10	425 076 488	425 500 055
Property, plant and equipment	11	5 634 083 486	5 574 142 601
Intangible assets	12	6 098 776	7 067 124
Biological assets	13	5 142 777	5 142 777
Heritage assets	14	1 312 802	1 036 828
Long-term receivables	15	4 598 731	6 720 631
		6 076 313 060	6 019 610 016
Total Assets		7 031 650 946	6 774 021 055
Liabilities			
Current Liabilities			
Consumer deposits	16	23 688 825	22 154 833
Employee benefits	17	58 283 915	59 586 346
Lease liabilities	18	694 514	2 118 022
Borrowings	19	55 046 811	51 902 261
Payables from exchange transactions	20	327 287 591	270 924 532
Payables from non-exchange transactions	21	33 793 304	29 696 273
		498 794 960	436 382 267
Non-Current Liabilities			
Employee benefits	17	191 200 001	204 100 717
Borrowings	19	446 903 149	426 834 231
Provisions	22	95 421 976	160 533 093
		733 525 126	791 468 041
Total Liabilities		1 232 320 086	1 227 850 308
Net Assets		5 799 330 860	5 546 170 747
Net assets presented by:			
Reserves		162 490 627	162 490 627
Accumulated surplus		5 636 840 240	5 383 680 114
Total Net Assets		5 799 330 867	5 546 170 741

* See Note 64

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

	Note(s)	2023 R	2022 Restated* R
Revenue			
Exchange Revenue			
Services charges - Electricity	27	779 983 813	756 431 257
Services charges - Waste management	27	89 836 854	84 651 895
Services charges - Waste water management	27	106 739 375	102 285 414
Services charges - Water	27	162 138 204	146 829 883
Rental	28	12 373 336	12 172 871
Interests on investments	29	42 250 158	18 770 341
Interest earned from receivables	26	16 467 413	10 428 555
Licences or permits	30.1	8 407 621	7 809 443
Agency services	31	3 438 321	3 019 961
Operational revenue	32	44 253 512	41 523 373
Sales of goods and rendering of services	33	29 681 293	29 561 419
Total Exchange Revenue		1 295 569 900	1 213 484 412
Non-Exchange Revenue			
Property rates	23	444 035 356	414 445 896
Transfers and subsidies	24	311 441 843	290 767 474
Fines, penalties and forfeits	25	146 657 768	122 932 562
Interest earned from receivables	26	3 418 263	2 430 082
Total Non-Exchange Revenue		905 553 230	830 576 014
Total Revenue		2 201 123 130	2 044 060 426
Expenditure			
Employee related cost	35	542 779 491	549 554 622
Remuneration of councillors	36	22 764 757	19 815 248
Irrecoverable Debts Written Off	37	91 945 701	84 984 896
Depreciation and amortisation	38	231 679 002	218 693 121
Impairment losses	39	1 572 668	2 722 872
Finance costs	40	59 928 458	44 332 364
Bulk Purchases	41	544 002 101	559 429 390
Inventory consumed	42	64 172 062	44 620 431
Contracted services	43	228 438 291	208 232 448
Transfers and subsidies	44	17 758 255	13 363 879
Operational Cost	45	131 489 785	113 472 212
Operating leases	46	9 292 497	14 990 534
Loss on disposal of assets	34	639 332	3 063 675
Inventories (write-down)	49	389 307	115 859
Contribution to allowance for doubtful debt	48	70 722 081	51 711 364
Contribution to/from provision	47	(69 693 846)	6 287 548
Total Expenditure		1 947 879 942	1 935 390 463
Surplus for the year		253 243 188	108 669 963

* See Note 64

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of changes in net assets

	Self insurance reserve	Capital replacement reserve	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R
Opening balance as previously reported	9 885 492	152 605 135	162 490 627	5 237 481 913	5 399 972 540
Adjustments					
Correction of errors	-	-	-	37 585 530	37 585 530
Balance at 01 July 2021 as restated*	9 885 492	152 605 135	162 490 627	5 275 067 443	5 437 558 070
Surplus for the year	-	-	-	108 669 963	108 669 963
Total changes	-	-	-	108 669 963	108 669 963
Opening balance as previously reported	9 885 492	152 605 135	162 490 627	5 383 654 343	5 546 144 970
Adjustments					
Correction of errors	-	-	-	(57 292)	(57 292)
Restated* Balance at 01 July 2022 as restated*	9 885 492	152 605 135	162 490 627	5 383 597 051	5 546 087 678
Surplus for the year	-	-	-	253 243 188	253 243 188
Total changes	-	-	-	253 243 188	253 243 188
Balance at 30 June 2023	9 885 492	152 605 135	162 490 627	5 636 840 240	5 799 330 867

Note(s)

* See Note 64

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

	Note(s)	2023 R	2022 Restated* R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 629 828 847	1 577 430 245
Grants received		315 538 874	304 960 171
Interest		42 250 158	18 770 341
Payments			
Cash paid to employees		(579 747 395)	(562 598 154)
Cash paid to suppliers		(911 738 692)	(940 126 481)
Grants paid		(17 758 255)	(13 363 879)
Finance costs		(46 712 396)	(34 427 551)
Net cash from(used) operating activities	50	431 661 141	350 644 692
Cash flows from investing activities			
Receipts			
Capital asset sales		1 756 981	1 690 446
Payments			
Capital assets additions		(319 730 545)	(352 797 846)
Short term investments		(26 244 801)	(83 088 826)
Net cash flows from investing activities		(344 218 365)	(434 196 226)
Cash flows from financing activities			
Receipts			
Increase in consumer deposits		-	-
Net movement in borrowings		23 213 468	109 779 473
Net cash flows from financing activities		23 213 468	109 779 473
Net increase/(decrease) in cash		110 656 244	26 227 939
Cash and cash equivalents at year begin		137 877 710	111 649 771
		248 533 954	137 877 710

* See Note 64

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue by source						
Service charges - electricity revenue	812 307 977	-	812 307 977	779 983 813	(32 324 164)	BD1
Service charges - water revenue	176 782 708	-	176 782 708	162 138 204	(14 644 504)	
Service charges - sanitation revenue	109 133 951	-	109 133 951	106 739 375	(2 394 576)	
Service charges - refuse revenue	94 971 363	-	94 971 363	89 836 854	(5 134 509)	
Rental of facilities and equipment	10 098 683	-	10 098 683	12 373 336	2 274 653	
Interest earned - external investments	35 417 421	-	35 417 421	42 250 158	6 832 737	
Interest earned - outstanding debtors	18 338 651	-	18 338 651	19 885 676	1 547 025	
Fines, penalties and forfeits	124 955 174	-	124 955 174	146 657 768	21 702 594	
Licenses and permits	7 482 512	-	7 482 512	8 407 621	925 109	
Agency services	3 191 727	-	3 191 727	3 438 321	246 594	
Transfer and subsidies	224 854 074	-	224 854 074	211 107 092	(13 746 982)	
Other revenue	33 478 047	-	33 478 047	73 934 805	40 456 758	BD2
Property rates	438 941 447	-	438 941 447	444 035 356	5 093 909	
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	119 744 363	-	119 744 363	100 311 831	(19 432 532)	
Transfers and subsidies - capital (in-kind - all)	-	-	-	22 920	22 920	
Total revenue	2 209 698 098	-	2 209 698 098	2 201 123 130	(8 574 968)	
Expenditure						
Employee related costs	(590 885 967)	-	(590 885 967)	(542 779 491)	48 106 476	BD3
Remuneration of councillors	(20 845 768)	-	(20 845 768)	(22 764 757)	(1 918 989)	
Debt impairment	(101 341 971)	-	(101 341 971)	(162 667 782)	(61 325 811)	BD4
Depreciation & asset impairment	(214 992 797)	-	(214 992 797)	(233 251 670)	(18 258 873)	BD5
Finance charges	(68 069 222)	-	(68 069 222)	(59 928 458)	8 140 764	
Bulk purchases - Electricity	(543 925 482)	-	(543 925 482)	(521 011 668)	22 913 814	
Inventory consumed	(95 163 689)	-	(95 163 689)	(87 162 495)	8 001 194	
Contracted Services	(296 871 290)	-	(296 871 290)	(228 438 291)	68 432 999	BD6
Transfers and subsidies	(18 887 921)	-	(18 887 921)	(17 758 255)	1 129 666	
Other expenditure	(168 680 400)	-	(168 680 400)	(71 088 436)	97 591 964	BD7
Losses	-	-	-	(1 028 639)	(1 028 639)	
Total expenditure	(2 119 664 507)	-	(2 119 664 507)	(1 947 879 942)	171 784 565	
Surplus before taxation	90 033 591	-	90 033 591	253 243 188	163 209 597	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	90 033 591	-	90 033 591	253 243 188	163 209 597	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Cash	58 302 899	-	58 302 899	150 801 893	92 498 994	BD8
Call investment deposits	377 148 246	-	377 148 246	429 499 307	52 351 061	
Consumer Debtors	226 702 355	-	226 702 355	281 559 598	54 857 243	
Other debtors	96 265 446	-	96 265 446	57 446 223	(38 819 223)	
Inventory	28 822 182	-	28 822 182	36 030 865	7 208 683	
	787 241 128	-	787 241 128	955 337 886	168 096 758	
Non-Current Assets						
Long term receivables	6 720 629	-	6 720 629	4 598 731	(2 121 898)	
Investment property	418 370 723	-	418 370 723	425 076 488	6 705 765	
Property, plant and equipment	5 718 887 391	-	5 718 887 391	5 634 083 486	(84 803 905)	BD9
Biological	5 392 777	-	5 392 777	5 142 777	(250 000)	
Intangible	5 907 467	-	5 907 467	6 098 776	191 309	
Other non-current assets	3 536 828	-	3 536 828	1 312 802	(2 224 026)	
	6 158 815 815	-	6 158 815 815	6 076 313 060	(82 502 755)	
Total Assets	6 946 056 943	-	6 946 056 943	7 031 650 946	85 594 003	
Liabilities						
Current Liabilities						
Borrowings	(55 632 448)	-	(55 632 448)	(55 046 811)	585 637	
Consumer deposits	(22 754 832)	-	(22 754 832)	(23 688 825)	(933 993)	
Trade and other payables	(285 553 124)	-	(285 553 124)	(361 775 409)	(76 222 285)	BD10
Provisions	(98 353 337)	-	(98 353 337)	(58 283 915)	40 069 422	BD11
	(462 293 741)	-	(462 293 741)	(498 794 960)	(36 501 219)	
Non-Current Liabilities						
Borrowing	(518 104 857)	-	(518 104 857)	(446 903 149)	71 201 708	BD12
Provisions	(371 253 671)	-	(371 253 671)	(286 621 977)	84 631 694	BD11
	(889 358 528)	-	(889 358 528)	(733 525 126)	155 833 402	
Total Liabilities	(1 351 652 269)	-	(1 351 652 269)	(1 232 320 086)	119 332 183	
Net Assets	5 594 404 674	-	5 594 404 674	5 799 330 860	204 926 186	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Accumulated Surplus/(Deficit)	5 555 307 849	-	5 555 307 849	5 636 840 240	81 532 391	BD13
Reserves						
Reserves	39 096 825	-	39 096 825	162 490 620	123 393 795	BD13
Total Net Assets	5 594 404 674	-	5 594 404 674	5 799 330 860	204 926 186	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	416 367 524	-	416 367 524	447 453 619	31 086 095	CF1
Service charges	1 361 417 083	-	1 361 417 083	1 155 165 659	(206 251 424)	CF2
Other revenue	119 830 211	-	119 830 211	27 209 569	(92 620 642)	CF7
Transfers and Subsidies - Operational	256 503 349	-	256 503 349	211 107 092	(45 396 257)	CF3
Transfers and Subsidies - Capital	75 074 650	-	75 074 650	104 431 782	29 357 132	CF3
Interest	35 417 421	-	35 417 421	42 250 158	6 832 737	
	2 264 610 238	-	2 264 610 238	1 987 617 879	(276 992 359)	
Payments						
Suppliers and employees	(1 856 199 651)	-	(1 856 199 651)	(1 491 486 087)	364 713 564	CF4
Finance cost	(54 838 969)	-	(54 838 969)	(46 712 396)	8 126 573	
Transfers and Grants	(14 675 062)	-	(14 675 062)	(17 758 255)	(3 083 193)	
	(1 925 713 682)	-	(1 925 713 682)	(1 555 956 738)	369 756 944	
Net cash flows from operating activities	338 896 556	-	338 896 556	431 661 141	92 764 585	
Cash flows from investing activities						
Decrease (increase) in non-current receivables	(6 720 629)	-	(6 720 629)	-	6 720 629	
Capital assets	(435 515 512)	-	(435 515 512)	(319 730 545)	115 784 967	CF5
Proceeds from sale of PPE	-	-	-	1 756 981	1 756 981	
Short term investments	-	-	-	(26 244 801)	(26 244 801)	
Net cash flows from investing activities	(442 236 141)	-	(442 236 141)	(344 218 365)	98 017 776	
Cash flows from financing activities						
Borrowing long term/refinancing	140 000 000	-	140 000 000	69 244 295	(70 755 705)	CF6
Repayment of borrowing	(47 117 209)	-	(47 117 209)	(46 030 827)	1 086 382	
Net cash flows from financing activities	92 882 791	-	92 882 791	23 213 468	(69 669 323)	
Net increase/(decrease) in cash and cash equivalents	(10 456 794)	-	(10 456 794)	110 656 244	121 113 038	
Cash and cash equivalents at the beginning of the year	443 400 169	-	443 400 169	137 877 710	(305 522 459)	
Cash and cash equivalents at the end of the year	432 943 375	-	432 943 375	248 533 954	(184 409 421)	

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

The annual financial statements of Stellenbosch Municipality for the year ended 30 June 2023 were authorised for issue by the Accounting Officer on 31 August 2023.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures are rounded to the nearest Rand.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003)

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1. Summary of significant accounting policies

1.1 Going concern assumption

These annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Housing development reserve

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.3 Capital replacement reserve (CRR)

In order to finance the acquisition of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of the Annual Budget. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.4 Self-insurance reserve

The municipality has a Self-insurance reserve to set aside amounts to offset potential losses or claims that cannot be insured externally. The balance of the self-insurance fund is invested in short-term investments. Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

1.5 Accumulated surplus

The accumulated surplus/deficit represent the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.6 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

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Accounting Policies

1.6 Materiality (continued)

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.7 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition

Accounting Policy 1.23.1 on Revenue from Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate

The IGRAP 1 amendments did not have any impact on Traffic Fines revenue issued in terms of the current Criminal Proceedings Act system but will only have an effect on fines issued in terms of the Amended Act (AARTO) that is expected to become effective on 1 July 2021. As the legislation is new, the possible impact cannot at this stage be determined. The legislation itself will significantly increase Traffic Fines revenue based on higher fine amounts being pronounced in Schedule 3 of the Amendment Act.

The iGRAP 20 interpretation is not regarded as having an effect, as the principles of revising revenue (e.g., incorrect tariff or appeal) is already applied by the municipality.

Impairment of financial assets

Accounting Policy 1.13 Financial Instruments, referring to the paragraph on impairment of financial assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the annual financial statements.

Useful lives of assets

As described in Accounting Policy 1.10 and 1.11 the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful life, which is determined when the assets are brought into use. The review of useful life and residual values of assets are only reviewed if one of the indicators of potential review is triggered.

Stellenbosch Municipality

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Accounting Policies

1.7 Significant judgements and estimates (continued)

Employee benefit obligation

The municipality obtains actuarial valuations of its employee benefit obligations. The employee benefit obligations of the municipality that were identified are post-retirement health benefit obligations and long-service awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the annual financial statements.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of non-financial assets

The recoverable amounts of cashgenerating units have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The recoverable amounts of individual assets have been determined based on the higher of valueinuse calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that the impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

A qualified environmental engineer calculates the provision. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at yearend. The professional engineer determines the cost of rehabilitation and the remaining useful life of each site. Interest rates linked to prime were used to calculate the effect of the time value of money.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.7 Significant judgements and estimates (continued)

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Impairment of statutory receivables

If there is an indication that a statutory receivable, may be impaired, the municipality measures the impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows

Pre-paid electricity

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused.

1.8 Biological assets that form part of an agricultural activity

The municipality recognises biological assets that form part of an agricultural activity or agricultural produce when and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity, is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable, is used to determine fair value.t

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The municipality classifies biological assets as consumables which consist of timber in the form of pine trees. All biological assets are held for sale.

Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying GRAP 12 or another applicable Standard of GRAP.

Item	Useful life
Trees in plantation forest	indefinite

1.9 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services; or for
- Administrative purposes, or
- Sale in ordinary course of operations.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement – cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property-Land	indefinite
Property-buildings	30-99 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 10).

When classification is difficult, the criteria used to distinguish investment property from owner -occupied property and from property held for sale in the ordinary course of operations, are as follows:

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes, and that will not be sold within the next 12 months are classified as Investment Properties

A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

Stellenbosch Municipality

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Accounting Policies

1.10 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The municipality elected the cost model for Property, plant and equipment.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if

- if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and
- the cost or fair value of the item can be measured reliably.

Initial recognition and measurement

Property, plant and equipment are initially recognised at cost on its acquisition date. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised. Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Incomplete construction work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use

Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable service amount, it is written down immediately to its recoverable service amount and an impairment loss is charged to the statement of financial performance.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Property, plant and equipment (continued)

Depreciation

Property, plant and equipment are depreciated on the straightline basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	indefinite
Machinery and equipment	Straight-line	1-66
Furniture and office equipment	Straight-line	2-24
Transport assets	Straight-line	4-21
Computer equipment	Straight-line	5-23
Community assets	Straight-line	4-50
Other property, plant and equipment	Straight-line	6-99
Capital restoration asset	Straight-line	5-30
Electrical infrastructure	Straight-line	10-100
Water supply infrastructure	Straight-line	10-100
Solid waste infrastructure	Straight-line	10-50
Roads infrastructure	Straight-line	10-100
Information and communication infrastructure	Straight-line	3-15
Waste water network	Straight-line	10-100
Stormwater infrastructure	Straight-line	10-50

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 11).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Intangible assets

Initial recognition and measurement

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations. A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

Subsequent measurement

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with GRAP 3.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Internally generated: Capital development	Straight-line	5 - 7 years
Computer software	Straight-line	3 - 30 years
Service operating and land rights	Straight-line	5 - 30 years

Stellenbosch Municipality

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Accounting Policies

1.11 Intangible assets (continued)

Derecognition

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be included in surplus or deficit when the asset is derecognised.

1.12 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Initial recognition and measurement

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 14 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement classes of heritage assets are carried at cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Reference to impairment paragraphs can be made to note 1.17, 1.18 and 1.19.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Dererecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Stellenbosch Municipality

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Accounting Policies

1.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. Financial instruments are classified into three categories namely, financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost. The municipality determines the classification of its financial instruments at initial recognition.

1.13.1 Classification of financial instruments

Financial assets

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Financial assets measured at fair value being financial assets that meet either of the following conditions:

- Derivatives;
- Combined instruments that are designated at fair value;
- Instruments held for trading;
- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost being investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

The municipality has the following types of financial assets as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial asset	Classification in terms of GRAP 104
Long-term receivables	Financial assets at amortised cost
Consumer debtors	Financial assets at amortised cost
Other debtors	Financial assets at amortised cost
Short-term investment deposit - Call	Financial assets at amortised cost
Bank balances and cash	Financial assets at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets at amortised cost.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of financial liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at amortised cost; or
- Financial liabilities measured at fair value.

The municipality has the following types of financial liabilities as reflected on the face of the Statement of financial position or in the notes thereto:

Type of financial liability	Classification in terms of GRAP 104
Long-term liabilities	Financial liability at amortised cost
Current portion of long-term liabilities	Financial liability at amortised cost
Other creditors	Financial liability at amortised cost

Accounting Policies

1.13 Financial instruments (continued)

1.13.2 Initial and subsequent measurement

Initial recognition and measurement

A financial instrument is recognised, when the municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added or deducted from the fair value, as appropriate on initial recognition.

Subsequent measurement – Financial assets

Financial assets consist of cash and cash equivalents, deposits, receivables and investments.

Receivables are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Changes in the carrying amount of the provision is recognised in the Statement of financial performance. When a receivable is considered uncollectible, it is written off against the provision. Any gains or losses arising from the change in fair value of investments measured at fair value are recognised in the Statement of financial performance.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to municipal entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial assets at amortised cost.

Financial assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the Statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of financial performance.

Subsequent measurement – Financial Liabilities

Financial liabilities consist of payables, interest bearing loans and bank overdrafts. These liabilities are subsequently measured at amortised cost, using the effective interest rate method. Finance costs are expensed in the Statement of financial performance in the period in which they are incurred except where stated otherwise (see accounting policy on borrowing costs).

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

Stellenbosch Municipality

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Accounting Policies

1.13 Financial instruments (continued)

1.13.3 Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expires or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial assets, the municipality continues to recognise the financial assets and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The municipality derecognises financial liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as having extinguished the original financial liability, and a new financial liability recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a nonexchange transaction, are accounted for in accordance with GRAP 23.

1.13.4 Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instruments is not active, the municipality establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs.

1.14 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately

Entity as lessee - operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight- line basis.

Any contingent rent is expensed in the period in which they are incurred.

Stellenbosch Municipality

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Accounting Policies

1.15 Inventory

Initial measurement:

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity;
- (b) and the cost of the inventories can be measured reliably.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs. The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.16 Landfill site

Site restoration and dismantling cost - The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets

Stellenbosch Municipality

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Accounting Policies

1.17 Impairment of property, plant and equipment, investment property, intangible assets and heritage assets

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

1.18 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity

Cash generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Management has judged all assets as non cash generating assets.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.18 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

In assessing whether there is any indication that an asset may be impaired, the municipality will consider, as a minimum, the following indications:

External sources:

- (a) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- (b) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.
- (c) Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially

Internal sources:

- (d) Evidence is available of obsolescence or physical damage of an asset.
- (e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- (f) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (g) Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.19 Impairment of non-cash-generating assets

Non cash generating assets are assets other than cash generating assets

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications:

External sources of information

- (a) Cessation, or near cessation, of the demand or need for services provided by the asset.
- (b) Significant long-term changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.

Internal sources of information

- (c) Evidence is available of obsolescence or physical damage of an asset.
- (d) Significant long-term changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite.
- (e) A decision to halt the construction of the asset before it is complete or in a usable condition.
- (f) Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Accounting Policies

1.19 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.20 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or

the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

a municipality's decision to terminate an employee's employment before the normal retirement date; or

an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Stellenbosch Municipality

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Accounting Policies

1.20 Employee benefits (continued)

A constructive obligation is an obligation that derives from a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

wages, salaries and social security contributions;

short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on the bonus accrued at year-end for each employee.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Leave pay

Liabilities for annual leave are recognised as they accrue to employees. Liability is based on the total accrued leave days owing to employees and is reviewed annually.

Accounting Policies

1.20 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In this aspect defined contribution plans can be considered as the pension fund.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit

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Accounting Policies

1.20 Employee benefits (continued)

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability)

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Stellenbosch Municipality

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Accounting Policies

1.20 Employee benefits (continued)

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - Those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long term employee benefit

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

Long term service awards is payable after 10 years of continuous service and after every 5 years thereafter to employees. Additional to this employees shall be entitled to a 14th cheque for continuous employment on their 30th and every 5th year onward. Furthermore a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of the long service award based on historical staff turnover based on historical staff turnover. No other long service benefits are provided to employees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of financial performance in the period that it occurs. Interest cost on employee benefit obligation is recognised as part of employee related cost.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

the present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

current service cost;

interest cost;

the expected return on any plan assets and on any reimbursement right recognised as an asset;

actuarial gains and losses, which shall all be recognised immediately;

past service cost; and

the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

terminate the employment of an employee or group of employees before the normal retirement date; or

provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

Stellenbosch Municipality

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Accounting Policies

1.20 Employee benefits (continued)

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

the location, function, and approximate number of employees whose services are to be terminated;

the termination benefits for each job classification or function; and

the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.21 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Stellenbosch Municipality

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Accounting Policies

1.21 Provisions (continued)

Environmental rehabilitation provisions

At year end a provision is raised for the rehabilitation of landfill sites. The provision is the net present value of the future cash flows to rehabilitate damaged land at year end.

As the related asset is measured using the cost model:

changes in the liability is added to, or deducted from, the cost of the related asset in the current period;

the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;

if the adjustments result in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in the accounting policy on impairment of cash-generating assets and/ or impairment of non-cash generating assets.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

1.22 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the municipality.

Stellenbosch Municipality

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Accounting Policies

1.23 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction

Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.23.1 Revenue from exchange transactions

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the billings done during July and August. The billing and invoiced amounts done in July are recognized in total as an accrual as all billing in July pertains to services rendered prior 30 June. An estimate is then made based on August billing pertaining to services rendered up until 30 June.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

The municipality accounts for availability charges as an exchange transaction.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

interest is levied on outstanding debtors using the effective interest rate method.

Rentals on facilities and equipment are recognised on the straight-line basis over the term of the lease agreement

Pre-paid electricity

Revenue from the sale of electricity prepaid units is recognised when all the following conditions have been satisfied:

The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.

The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The amount of revenue can be measured reliably.

It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Stellenbosch Municipality

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Accounting Policies

1.23 Revenue (continued)

The costs incurred or to be incurred in respect of the transaction can be measure reliably.

Interest earned and rentals received

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Traffic charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Income from agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue recognition of unclaimed deposits

Unclaimed deposits older than three (3) years are recognised as revenue.

1.23.2 Revenue from non-exchange transactions

Rates and taxes

Other than services in-kind not recognised in terms of paragraph .99, an inflow of resources from a non-exchange transaction that meets the definition of an asset shall be recognised as an asset when, and only when:

- (a) it is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) the fair value of the asset can be measured reliably.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Rebates and discounts are offset against the revenue. As per iGRAP 1, there is no intention to collect this revenue

Stellenbosch Municipality

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Accounting Policies

1.23 Revenue (continued)

Fines

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the municipality is entitled to collect.

Subsequent to initial recognition and measurement, the municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

Donations and contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Transfers and subsidies

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Unconditional grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional grants

Conditional grants recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance.

Interest earned on unspent grants and receipts

Interest earned on unspent grants and receipts is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of financial performance in accordance with GRAP 9.

Services received in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Stellenbosch Municipality

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Accounting Policies

1.24 Statutory receivables

1.24.1 Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, an entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

1.24.2 Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

1.24.3 Measurement

The municipality initially measures statutory receivables at their transaction amount.

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

1.24.4 Impairment

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

Accounting Policies

1.24 Statutory receivables (continued)

significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent.

it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation.

a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable, or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

1.24.5 Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers control of the statutory receivable and substantially all the risks and rewards of ownership of the asset to another entity; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.25 Principal-agent arrangements

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Principal-agent arrangements (continued)

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.26 Borrowing costs

Borrowing costs are interest and other expenses incurred by a municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the Statement of financial performance in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised to the cost of the asset. All other borrowing costs are recognised as an expense in the period in which it is incurred. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is disclosed in the notes below.

1.27 Comparative of actual information to budgeted information

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 61 for detail.

Accounting Policies

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.29 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of financial performance.

1.30 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.31 Related parties and related party transactions

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

A person is considered to be a close member of the family of another person if they:

- are married or live together in a relationship similar to a marriage or are separated by no more than two degrees of natural or legal consanguinity or affinity.

Stellenbosch Municipality

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Accounting Policies

1.31 Related parties and related party transactions (continued)

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- all members of the governing body of the Municipality;
- a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Key management as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Management are those persons responsible for planning, directing and controlling the activities of the municipality including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.32 Change in accounting policies, estimates and errors

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

1.33 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.33 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.34 Value Added Tax

The municipality accounts for Value Added Tax on the cash (receipt) basis.

1.35 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Material variances are determined in accordance with the municipalities materiality framework. These material differences will be explained in the financial statements under note for budget differences referenced to the statement of budget comparison.

1.36 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.37 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.38 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of subcontractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

1.39 Segment information

A segment is an activity of an entity:

Stellenbosch Municipality

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Accounting Policies

1.39 Segment information (continued)

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Segmental information was based and identified on the MFMA S71 monthly budget statement/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports is organised around the type of service delivered, in a standardised format, namely the C2 schedule.

The municipality manages its assets and liability as a whole and is not reviewed on a segregated basis for each town. Segment reporting per geographical area is not deemed relevant.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.40 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of financial position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.41 Current year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

1.42 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are carried at amortised cost. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are carried at amortised cost.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.42 Cash and cash equivalents (continued)

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.43 Housing arrangements

The Accounting Standards Board issued the guideline on Accounting for Arrangements Undertaken in terms of the National Housing Programme.

Where the municipality acts as a project manager in a housing arrangement, it is regarded as an agent in terms of the principles of GRAP 109 - Accounting by Principals and Agents.

Where the municipality is regarded as an agent, costs related to the construction of top structures and the related recovery thereof (revenue) is not be recognised in the Statement of financial performance of the municipality.

Where the municipality is identified as a project developer, the construction of the houses is performed by the municipality or by the appointment of a sub-contractor to undertake the construction on the municipality's behalf. The municipality applies the GRAP 11, Construction Contracts to account for these construction activities.

Where the municipality is regarded as the project developer and if the outcome of the construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Contract revenue will be in the form of a grant from the Department of Human settlements and presented and disclosed under transfers and subsidies in the Statement of financial performance.

Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue shall comprise: (a) the initial amount of revenue agreed in the contract; and (b) variations in contract work, claims and incentive payments to the extent that: (i) it is probable that they will result in revenue; and (ii) they are capable of being reliably measured.

Contract costs shall comprise: (a) costs that relate directly to the specific contract; (b) costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and (c) such other costs as are specifically chargeable to the customer under the terms of the contract.

An expected deficit on a construction contract to which paragraph .49 applies shall be recognised as an expense immediately in accordance with paragraph .49.

1.44 Grants-in-aid

The municipality transfers money to individuals, organizations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the annual financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.45 Consumer deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.46 Unspent conditional grants

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent where the obligations have not been met, a liability is recognised.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2023 or later periods:		
Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> • Guideline: Guideline on Accounting for Landfill Sites • GRAP 25 (as revised): Employee Benefits • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction • Guideline: Guideline on the Application of Materiality to Financial Statements • GRAP 104 (as revised): Financial Instruments 	<ul style="list-style-type: none"> No effective date determined No effective date determined No effective date determined No effective date determined No effective date determined 	<ul style="list-style-type: none"> Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact Unlikely there will be a material impact
3. Cash and cash equivalents		
3.1 Cash and cash equivalents		
Cash and cash equivalents consist of the following:		
Call deposits and investments		
Deposit taking institutions (Call account)	97 732 060	41 771 848
Cash at bank		
Bank account	150 787 174	96 091 642
Cash on hand	14 719	14 220
Total cash and cash equivalents	248 533 953	137 877 710
The municipality had the following current accounts:		
FNB - Primary (62869253684)	140 578 930	94 086 615
FNB - Lamotte Trust (62869255169)	3 291 277	2 591 239
FNB - Charitable (62869253733)	74 216	136 678
FNB - Longlands (63010520062)	2 056 639	-
	146 001 062	96 814 532
Reconciling the bank accounts to the cash book		
Bank statement balance at end of the year	140 578 930	94 086 615
Net movement/reconciling items	4 786 112	(4 066 485)
Cash book balance at the end of the year	145 365 042	90 020 130

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
4. Short term investments		
Short term investments	331 767 247	305 522 446
Nedbank Investments		
Opening balance	183 783 985	162 000 471
Deposits	200 000 000	179 061 482
Interest accrued	13 160 966	7 413 957
Withdrawals	(187 676 925)	(164 691 923)
	209 268 026	183 783 987
Standard Bank Investments		
Opening balance	81 126 949	60 433 150
Deposits	210 000 000	80 938 518
Interest Accrued	9 194 172	6 639 615
Withdrawals	(300 321 121)	(66 884 331)
	-	81 126 952
ABSA Investments		
Opening balance	40 611 507	-
Deposits	270 000 000	40 000 000
Withdrawals	(196 623 836)	-
Interest Accrued	8 511 548	611 507
	122 499 219	40 611 507

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
5. Receivables from exchange transactions			
Consumer receivables from exchange transactions	5.1		
Electricity		153 776 401	108 881 514
Waste management		8 386 476	7 580 904
Waste water management		8 361 990	8 133 394
Water		44 517 033	42 986 897
Service charges		1 940 655	1 582 321
		216 982 555	169 165 030
Other consumer receivables from exchange transactions	5.2		
Property rental debtors		647 188	728 555
Total receivables from exchange transactions		217 629 743	169 893 585

The amount disclosed in this note is net of impairment. Refer to note 5.1 & 5.2 for the amount before the provision (gross) and the actual value of the provision.

Stellenbosch Municipality incorrectly billed a debtor for electricity provided and requested payment of the outstanding amount of R45 276 728. The debtor has now declared a dispute and indicated that they are only liable for payment of up to 6 months and not 3 years as the Municipality alleged. The disputed amount only relates to electricity and has been included as part of the electricity gross balance.

5.1 Consumer receivables

The average credit period for consumer receivables is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer receivables.

The management of the municipality is of the opinion that the carrying value of consumer receivables approximate their fair values.

The fair value of consumer receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer receivables as well as the current payment ratio's of the municipality's consumer receivables.

Controlling entity

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables from exchange transactions						
Electricity	167 445 130	(13 668 729)	153 776 401	123 618 935	(14 737 421)	108 881 514
Waste management	47 653 550	(39 267 074)	8 386 476	36 940 022	(29 359 118)	7 580 904
Waste water management	39 166 733	(30 804 743)	8 361 990	32 279 437	(24 146 043)	8 133 394
Water	156 427 621	(111 910 588)	44 517 033	139 361 334	(96 374 437)	42 986 897
Service charges	14 328 610	(12 387 955)	1 940 655	12 794 236	(11 211 915)	1 582 321
Total consumer receivables from exchange transactions	425 021 644	(208 039 089)	216 982 555	344 993 964	(175 828 934)	169 165 030

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

5. Receivables from exchange transactions (continued)

5.1.1 Ageing of consumer receivables

2023

	Not due				Past due		
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	167 445 130	112 898 755	402 841	322 645	276 106	42 950 590	10 594 193
Waste management	47 653 550	6 565 621	909 712	829 378	842 814	7 545 965	30 960 060
Waste water management	39 166 733	8 450 127	634 612	591 810	581 043	4 878 344	24 030 797
Water	156 427 621	33 932 918	2 685 373	2 899 798	3 297 217	15 548 336	98 063 979
Service charges	14 328 610	1 117 784	293 812	161 997	169 090	1 651 860	10 934 067
Total by debt type	425 021 644	162 965 205	4 926 350	4 805 628	5 166 270	72 575 095	174 583 096

2022

	Not due				Past due		
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions							
Total by debt type							
Electricity	123 618 935	107 748 522	659 891	453 287	338 488	2 798 640	11 620 107
Waste management	36 940 022	6 631 198	806 034	658 205	575 212	4 261 991	24 007 382
Waste water management	32 279 437	7 397 227	595 674	499 521	411 083	3 125 904	20 250 028
Water	139 361 334	40 145 591	3 101 438	2 684 633	2 373 921	13 409 500	77 646 251
Service charges	12 794 236	1 177 046	194 392	252 773	226 778	1 332 251	9 610 996
Total by debt type	344 993 964	163 099 584	5 357 429	4 548 419	3 925 482	24 928 286	143 134 764

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023		2022			
	R		R			
5. Receivables from exchange transactions (continued)						
5.1.2 Consumer debt past due not impaired						
2023						
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	42 596 126	167 806	114 382	100 460	41 614 869	598 609
Waste management	2 305 092	138 864	100 678	85 806	497 097	1 482 647
Waste water management	1 751 004	96 168	71 042	55 132	334 974	1 193 688
Water	11 748 805	436 972	404 096	332 473	1 220 927	9 354 337
Service charges	396 004	47 391	15 686	12 824	89 775	230 328
Total consumer receivables	58 797 031	887 201	705 884	586 695	43 757 642	12 859 609
2022						
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables from exchange transactions						
Electricity	923 357	259 272	143 054	101 332	299 065	120 634
Waste management	864 334	171 560	127 226	72 121	214 828	278 599
Waste water management	717 677	138 044	110 113	53 936	154 594	260 990
Water	2 765 663	483 449	400 052	242 384	759 529	880 249
Service charges	348 388	45 742	36 432	32 846	151 306	82 062
Total consumer receivables	5 619 419	1 098 067	816 877	502 619	1 579 322	1 622 534

The Council regards receivables from exchange transactions to be due for outstanding amounts more than 30 days to be past due.

The water and electricity accrual is in respect of consumption between the last meter reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers. The estimate of the consumption are being recorded as revenue without being invoiced.

5.2 Other receivables from exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Property rental debtors	31 363 488	(30 716 300)	647 188	29 191 965	(28 463 410)	728 555

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

5. Receivables from exchange transactions (continued)

5.2.1 Ageing of other receivables from exchange transactions

2023

	Not due			Past due			
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	120 - 365 days	365+ days
Property rental debtors	31 363 488	537 829	200 891	620 592	342 711	1 538 555	28 122 910

2022

	Not due			Past due			
	Total	Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	29 191 965	983 999	214 238	352 169	165 527	1 111 659	26 364 373

5.2.2 Other receivables from exchange transactions past due not impaired

2023

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	308 358	12 717	117 523	13 791	79 166	85 161

2022

	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Property rental debtors	261 644	36 051	88 450	20 761	47 011	69 371

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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5. Receivables from exchange transactions (continued)

The impairment provision calculation is calculated by assessing each individual debtor and assessing the probability of future payment using a formula considering historical trends in relation to the individual debtors payment history.

Reconciliation of allowance for impairment

Balance at the beginning of the year	(204 292 344)	(167 113 151)
Contributions to the allowance	(34 463 045)	(37 179 193)
	(238 755 389)	(204 292 344)

Government debt as at 30 June 2022

	Rates	Services	Interest	Sundry	Total
Nat. dept of Public Works	135 040	919 892	6 145	15 418	1 076 495
Prov. dept of Transport and Public Works	117 379	25 485	8 757	11 250	162 871
Western Cape Education department	906	1 619 815	1 281	128	1 622 130
Department of Health	-	532 340	242	204	532 786
Dept of local government and housing	8 163	21 836	2 932	3 277	36 208
Other government departments	236	168 359	84	1 016	169 695
	261 724	3 287 727	19 441	31 293	3 600 185

Government debt as at 30 June 2023

	Rates	Services	Interest	Sundry	Total
Nat. dept of Public Works	505 359	2 371 551	75 405	14 535	2 966 850
Prov. dept of Transport and Public Works	161 211	101 463	22 662	14 907	300 243
Western Cape Education department	962	1 630 167	1 439	177	1 632 745
Department of Health	-	439 026	-	-	439 026
Dept of local government and housing	5 921	96 932	8 028	3 825	114 706
Other government departments	536	2 330	93	1 175	4 134
	673 989	4 641 469	107 627	34 619	5 457 704

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
6. Receivables from non-exchange transactions			
Consumer receivables	6.1		
Property rates		26 914 714	17 745 120
Other receivables			
Accrued income		10 460 788	18 645 756
Fines		31 239 755	30 785 166
		41 700 543	49 430 922
Total receivables		68 615 257	67 176 042

6.1 Receivables from non-exchange transactions

	2023			2022		
	Gross	Impairment	Total	Gross	Impairment	Total
Consumer receivables						
Property rates	56 526 392	(29 611 678)	26 914 714	49 872 415	(32 127 295)	17 745 120
Other receivables						
Accrued income	10 460 788	-	10 460 788	18 645 756	-	18 645 756
Fines	227 276 286	(196 036 531)	31 239 755	186 301 512	(155 516 346)	30 785 166
	237 737 074	(196 036 531)	41 700 543	204 947 268	(155 516 346)	49 430 922
Total	294 263 466	(225 648 209)	68 615 257	254 819 683	(187 643 641)	67 176 042

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

6. Receivables from non-exchange transactions (continued)

6.1.1 Ageing of receivables from non-exchange transactions

2023

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	56 526 392	23 623 391	990 992	1 056 224	767 734	7 219 197	22 868 854
Other receivables							
Accrued income	10 460 788	3 364 603	-	-	-	-	7 096 185
Fines	227 276 286	88 445 568	8 746 531	9 784 651	7 254 698	41 515 430	71 529 408
	237 737 074	91 810 171	8 746 531	9 784 651	7 254 698	41 515 430	78 625 593
	294 263 466	115 433 562	9 737 523	10 840 875	8 022 432	48 734 627	101 494 447

2022

	Not due			Past due			
	Total	Current (0-30 days)	31 - 60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables							
Property rates	49 872 415	20 164 932	913 466	773 029	616 688	6 230 126	21 174 174
Other receivables							
Accrued income	18 645 756	13 361 240	-	-	-	-	5 284 516
Fines	186 301 512	28 255 472	10 048 047	11 206 219	7 544 529	40 192 188	89 055 057
	204 947 268	41 616 712	10 048 047	11 206 219	7 544 529	40 192 188	94 339 573
	254 819 683	61 781 644	10 961 513	11 979 248	8 161 217	46 422 314	115 513 747

No debtors were pledged as security.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
6. Receivables from non-exchange transactions (continued)		
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Property rates	22 431 818	17 745 120
Fines	31 239 755	30 785 166
	53 671 573	48 530 286
Financial asset receivables included in receivables from non-exchange transactions above		
Accrued Income	10 460 788	18 645 756
Reconciliation of allowance for impairment		
Balance at beginning of the year	(187 643 641)	(173 186 777)
Contributions to allowance	(42 487 464)	(14 456 864)
	(230 131 105)	(187 643 641)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R				
6. Receivables from non-exchange transactions (continued)						
6.1.2 Ageing of impaired receivables from non-exchange transactions past due not impaired						
2023						
	Past due					
	Total	31-60 days	61 - 90 days	91 - 120 days	121 - 365 days	365+ days
Consumer receivables						
Property rates	3 240 924	340 214	282 168	203 989	1 250 253	1 164 300
Other receivables						
Fines	115 566 990	9 874 613	6 598 643	6 453 124	31 654 993	60 985 617
	118 807 914	10 214 827	6 880 811	6 657 113	32 905 246	62 149 917
2022						
	Past due					
	Total	31 - 60 days	61 - 90 days	91 - 120 days	121- 365 days	365+ days
Consumer receivables						
Property rates	1 911 656	373 269	259 228	170 442	573 671	535 046
Other receivables						
Fines	94 827 622	6 028 828	6 723 731	4 526 717	24 115 312	53 433 034
	96 739 278	6 402 097	6 982 959	4 697 159	24 688 983	53 968 080

Statutory receivables general information

Transaction(s) arising from statute

Property rates related transactions arise in terms of the Municipal Property Rates Act, 6 of 2004, Municipal Finance Management Act, 56 of 2003, as well as the Property Rates Policy of the municipality approved by Council as part of the Budget Process.

Traffic fines arise from the National Road Traffic Act 93 of 1996, National Road Traffic Regulations 2000, National Land Transport Act 5 of 2009 and Criminal Procedure Act 51 of 1971. Prosecutor performs prosecutorial functions in terms of a general delegation awarded by the National Prosecuting Authority and is subject to the control of the Control Prosecutor at the Magistrate's Court in Stellenbosch.

VAT transactions arise from the Value Added Tax Act 89 of 1991. VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the Value Added Tax Act 89 of 1991.

Determination of transaction amount

Property rates transaction amounts are determined in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

VAT transactions amounts are determined in line with the Value Added Tax Act 89 of 1991. VAT increased from 14% to 15% from 1 April 2018.

Interest or other charges levied/charged

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023	2022
R	R

6. Receivables from non-exchange transactions (continued)

Interest or other charges levied on Property rates balances are in line with the Annual Tariff List of the municipality approved by Council as part of the Budget Process in terms of the Municipal Finance Management Act, 56 of 2003. "Interest" means a charge levied, on all arear accounts calculated at an interest rate which is one percent higher than the prime interest rate.

Traffic fines: Additional charges includes contempt of court fees / warrant of arrest fee determined in terms of the Criminal Procedure Act.

The rates and interest charges are determined by the Value Added Tax Act 89 of 1991.

Basis used to assess and test whether a statutory receivable is impaired

The basis used to assess Property Rates receivables is to look at the extent to which debtors on an individual basis defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

The basis used to assess Traffic fine receivables is to look at the extent to which debtors per group of fines (Municipal fines, Provincial fines) defaulted on payments already due and an assessment of their ability to make payments based on their historical collection trend.

No impairment on VAT Receivable, balance expected to be fully recoverable

Discount rate applied to the estimated future cash flows

Interest is calculated using the nominal interest rate as stipulated in the municipal by-laws (Prime plus 1%). This rate is also considered an appropriate discount rate.

Main events and circumstances that led to the recognition or reversal of impairment losses on statutory receivables

Significant impairment losses recognised or reversed

Traffic Fines: Impairment Recognised: Annually the outstanding receivables are assessed in terms of the value of fines issued in comparison to the receipts generated from such fines. The remaining balance is considered recoverable based on this payment percentage.

7. Inventories

Consumables	390 563	799 798
Materials and supplies	9 830 691	2 918 628
Water	2 562 783	1 889 813
Housing stock	9 100 000	9 275 000
Land	14 146 828	14 146 828
Total Inventories	36 030 865	29 030 067

R 64 172 062 (2022: R 44 620 431) of total inventory was recognised as an expense in the current year.

The amount of write-down of inventories recognised as an expense and a reduction in inventory carrying value is R 389 807 (2022: R 115 859). The circumstances relating to the write down is as a result of stock adjustments and shortages on general stock items as reported and approved accordingly.

No inventories were pledged as securities.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
8. Other receivables from exchange transactions		
Deposits	1 895 810	1 776 546
Goods received/Invoice received	441 213	-
Other receivable	4 065 462	3 572 756
Licensing and registration	3 290 273	3 022 422
Special rating area	470 538	503 304
Prepayments and advances	30 583 331	17 384 728
Total	40 746 627	26 259 756

9. VAT Control

VAT Receivable/(Payable)	12 014 194	18 651 433
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The municipality is registered for VAT on the payment/ cash basis.

VAT meets the definition of a statutory receivable as per the accounting policy. For statutory receivable information regarding VAT refer to note 6.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
	R	R
10. Investment property		
10.1 Reconciliation of carrying value		
Opening carrying value		
Cost	438 586 232	438 586 232
Accumulated depreciation and impairment losses	(13 086 177)	(12 834 293)
	425 500 055	425 751 939
Depreciation	38 (423 567)	(251 884)
Closing carrying value	425 076 488	425 500 055
Cost		
Cost	438 586 232	438 586 232
Accumulated depreciation and impairment losses	(13 509 744)	(13 086 177)
	425 076 488	425 500 055

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

There were no restrictions placed on any investment properties.

Maintenance of investment property

There were no repairs and maintenance expensed on rental properties. This is mainly due to the fact that rental agreements as entered into with the lessee states maintenance of these properties will be for the lessee's expense.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	12 373 336	12 172 870
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

11. Property, plant and equipment

11.1 Summary

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	488 622 998	(27 052 477)	461 570 521	488 622 998	(27 052 477)	461 570 521
Transport Assets	177 457 549	(84 643 772)	92 813 777	177 804 358	(77 003 630)	100 800 728
Electrical Infrastructure	1 492 698 720	(498 647 037)	994 051 683	1 445 743 911	(453 699 182)	992 044 729
Water Supply Infrastructure	1 938 401 583	(530 076 192)	1 408 325 391	1 861 997 700	(472 713 615)	1 389 284 085
Sanitation Infrastructure	1 319 793 887	(269 222 031)	1 050 571 856	1 283 712 546	(232 294 932)	1 051 417 614
Solid Waste Infrastructure	74 439 429	(16 755 590)	57 683 839	66 824 336	(14 629 744)	52 194 592
Other Infrastructure	33 804 325	(18 754)	33 785 571	27 553 251	-	27 553 251
Machinery and Equipment	75 347 766	(53 250 321)	22 097 445	76 955 727	(50 011 802)	26 943 925
Furniture and Office Equipment	55 318 049	(39 861 574)	15 456 475	51 203 564	(32 537 843)	18 665 721
Computer Equipment	79 515 792	(50 866 718)	28 649 074	69 427 051	(40 319 517)	29 107 534
Information and Communication Infrastructure	4 710 254	(3 581 367)	1 128 887	4 504 233	(3 090 765)	1 413 468
Capital Restoration Asset	-	-	-	35 090 800	(27 633 546)	7 457 254
Roads Infrastructure	1 385 786 510	(528 252 455)	857 534 055	1 315 899 047	(480 095 818)	835 803 229
Storm water Infrastructure	83 900 854	(48 712 073)	35 188 781	83 610 258	(47 628 015)	35 982 243
Community Assets	174 973 936	(34 619 182)	140 354 754	157 781 452	(25 965 929)	131 815 523
Other Assets	546 752 348	(111 880 971)	434 871 377	513 153 957	(101 065 773)	412 088 184
- Operational Building	358 526 214	(76 916 366)	281 609 848	337 311 590	(66 126 414)	271 185 176
- Housing Selling Schemes	188 226 134	(34 964 605)	153 261 529	175 842 367	(34 939 359)	140 903 008
Total	7 931 524 000	(2 297 440 514)	5 634 083 486	7 659 885 189	(2 085 742 588)	5 574 142 601

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers made	Depreciation	Impairment loss	Total
Land	461 570 521	-	-	-	-	-	461 570 521
Transport Assets	100 800 728	1 785 342	(800 349)	-	(7 399 276)	(1 572 668)	92 813 777
Electrical Infrastructure	992 044 729	66 614 868	-	(19 660 059)	(44 947 855)	-	994 051 683
Water Supply Infrastructure	1 389 284 085	72 409 987	(315 773)	(399 104)	(52 653 804)	-	1 408 325 391
Sanitation Infrastructure	1 051 417 614	36 081 340	-	-	(36 927 098)	-	1 050 571 856
Solid Waste Infrastructure	52 194 592	7 617 494	-	-	(2 128 247)	-	57 683 839
Other infrastructure	27 553 251	6 251 073	(18 753)	-	-	-	33 785 571
Machinery and Equipment	26 943 925	2 685 750	(1 002)	-	(7 531 228)	-	22 097 445
Furniture and Office Equipment	18 665 721	2 125 111	(2 535)	-	(5 331 822)	-	15 456 475
Computer Equipment	29 107 534	6 955 476	(1 983)	-	(7 411 953)	-	28 649 074
Information and Communication Infrastructure	1 413 468	211 675	(152)	-	(496 104)	-	1 128 887
Capital restoration asset	7 457 254	-	(7 457 254)	-	-	-	-
Roads Infrastructure	835 803 229	70 470 097	(582 635)	-	(48 156 636)	-	857 534 055
Storm water Infrastructure	35 982 243	290 596	-	-	(1 084 058)	-	35 188 781
Community Assets	131 815 523	14 409 061	(509 732)	-	(5 360 098)	-	140 354 754
Other Assets	412 088 184	33 598 392	(163 400)	-	(10 651 801)	-	434 871 377
- Operational Building	271 185 176	19 422 544	-	-	(8 997 874)	-	281 609 848
- Housing Selling Schemes	140 903 008	14 175 848	(163 400)	-	(1 653 927)	-	153 261 529
	-	-	-	-	-	-	-
	5 574 142 601	321 506 262	(9 853 568)	(20 059 163)	(230 079 980)	(1 572 668)	5 634 083 486

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers made	Other changes, movements	Depreciation	Impairment loss	Total
Land	464 776 420	-	(3 205 899)	-	-	-	-	461 570 521
Transport Assets	106 209 036	4 599 801	(518 208)	-	-	(9 489 901)	-	100 800 728
Electrical Infrastructure	938 767 486	75 859 177	-	12 064 387	-	(34 646 321)	-	992 044 729
Water Supply Infrastructure	1 416 698 160	22 647 755	-	131 592	-	(47 470 550)	(2 722 872)	1 389 284 085
Sanitation Infrastructure	1 017 791 262	67 461 027	-	-	-	(33 834 675)	-	1 051 417 614
Solid Waste Infrastructure	50 176 933	3 823 259	-	-	-	(1 805 600)	-	52 194 592
Other Infrastructure	1 470 153	26 083 098	-	-	-	-	-	27 553 251
Machinery and Equipment	44 342 821	1 879 170	(4 821)	-	-	(19 273 245)	-	26 943 925
Furniture and Office Equipment	15 377 518	5 084 702	(5 075)	-	-	(1 791 424)	-	18 665 721
Computer Equipment	22 636 025	9 627 956	(61 635)	-	-	(3 094 812)	-	29 107 534
Information and Communication Infrastructure	1 206 693	591 272	(53)	-	-	(384 444)	-	1 413 468
Capital Restoration Asset	5 466 095	-	-	-	2 843 415	(852 256)	-	7 457 254
Roads Infrastructure	811 846 086	71 285 720	-	-	-	(47 328 577)	-	835 803 229
Storm water Infrastructure	37 001 512	13 500	-	-	-	(1 032 769)	-	35 982 243
Community Assets	96 180 801	40 993 007	-	-	-	(5 358 285)	-	131 815 523
Other Assets	417 607 722	5 539 306	(476 888)	-	-	(10 581 956)	-	412 088 184
- Operational Building	279 926 778	-	-	-	-	(8 741 602)	-	271 185 176
- Housing selling schemes	137 680 944	5 539 306	(476 888)	-	-	(1 840 354)	-	140 903 008
	5 447 554 723	335 488 750	(4 272 579)	12 195 979	2 843 415	(216 944 815)	(2 722 872)	5 574 142 601

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
11. Property, plant and equipment (continued)		
11.2 Property, plant and equipment under construction		
Work in Progress		
The following assets were still in the process of being constructed at year end:		
Intangible assets	1 526 450	1 526 450
Electrical infrastructure	158 850 446	92 235 577
Water supply infrastructure	162 444 760	91 556 079
Waste water Infrastructure	261 594 598	225 513 259
Waste infrastructure	13 900 974	6 283 479
Machinery and equipment	-	164 532
Computer equipment	-	120 584
Roads infrastructure	69 841 942	50 488 543
Stormwater infrastructure	3 381 244	3 090 648
Community assets	20 264 305	20 720 143
Other Assets - Operational buildings	12 431 016	8 997 501
Other Assets - Housing selling schemes	17 863 483	12 417 714
Furniture and office equipment	-	814
Other Infrastructure	27 534 496	27 553 251
Transport Assets	-	1 572 668
	749 633 714	542 241 242

There were no projects that were significantly delayed or halted during the current financial year. Significant delays are regarded as projects which has not seen any progress for a period exceeding 12 months.

11.3 Property, plant and equipment pledged as security

No assets have been pledged as security during the current financial year.

11.4 Maintenance of property, plant and equipment

11.4.1 Maintenance of property, plant and equipment by nature and type of expenditure

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Property, plant and equipment	55 115 009	64 350 486
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
12. Intangible assets		
12.1 Reconciliation of carrying value		
2023		
	Computer software	Total
Opening carrying value as at 01 July 2022		
Cost	17 943 517	17 943 517
Accumulated depreciation and impairment	(10 876 393)	(10 876 393)
	7 067 124	7 067 124
Additions from acquisitions	207 100	207 100
Amortisation	38 (1 175 448)	(1 175 448)
	(968 348)	(968 348)
Closing carrying value as at 30 June 2023	6 098 776	6 098 776
Cost	18 150 617	18 150 617
Accumulated amortisation and impairment	(12 051 841)	(12 051 841)
	6 098 776	6 098 776
2022		
	Computer software	Total
Opening carrying value as at 01 July 2021		
Cost	17 943 517	17 943 517
Accumulated depreciation and impairment	(9 379 971)	(9 379 971)
	8 563 546	8 563 546
Amortisation	38 (1 496 422)	(1 496 422)
Closing carrying value as at 30 June 2022	7 067 124	7 067 124
Cost	17 943 517	17 943 517
Accumulated amortisation and impairment	(10 876 393)	(10 876 393)
	7 067 124	7 067 124

Pledged as security

There were no items of intangible assets that were pledged as security in the current financial year.

Restricted title

There were no items of intangible assets that that a restricted title in the current financial year.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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13. Biological assets

13.1 Reconciliation of carrying value

	2023		2022	
	Biological assets measured at fair value	Total	Biological assets measured at fair value	Total
Opening carrying value	5 142 777	5 142 777	5 142 777	5 142 777
Additions from acquisitions	-	-	-	-
Disposals through sales	-	-	-	-
Gains / Losses on disposals	-	-	-	-
Harvests	-	-	-	-
	5 142 777	5 142 777	5 142 777	5 142 777

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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13. Biological assets (continued)

2023 - Nature and quantities of each biological asset

	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop Plantation	293 463	-	-	293 463
Paradyskloof Plantation	4 849 313	-	-	4 849 313
	5 142 776	-	-	5 142 776

2022 - Nature and quantities of each biological asset

	Opening Balance	Decrease due to harvest	Fair value movement	Total
Botmanskop plantation	293 463	-	-	293 463
Paradyskloof Plantation	4 849 313	-	-	4 849 313
	5 142 776	-	-	5 142 776

The determination of fair value was as follows:

Principle:

Price determination was done on the basis of current sale value of the tender for the current year i.e. R602.10/m³ excluding 15% VAT . This value was given to all trees as the estimated yield takes into consideration the age of the trees. The harvestable age starts from 20 years old where the minimum estimated yield would be 100m³/ha.

It must also be noted that this yield is based on optimum growing conditions and the existing microclimates, and thus the yield might vary per compartment. Refer to the Forestry Handbook p204 which can be obtained at the municipal offices.

Description of the Biological Assets

Botmanskop plantation (Block E)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Paradyskloof plantation (Block G)

Some compartments remain which can be harvested at a later stage due to the age of the trees.

Strategy to mitigate risks

The strategy to mitigate risks attached to this category of assets is to prevent the spread of runaway veld fires by maintaining fire breaks.

Pledged as security

There were no items of biological assets pledged as security in the current financial year.

Non-Financial Information

Quantities of each biological asset (In hectares)

Botmanskop Plantation	10	10
Paradyskloof Plantation	32	32
	42	42

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R		
14. Heritage assets				
14.1 Reconciliation of carrying value				
2023				
	Land and buildings	Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2022				
Cost	-	892 883	143 945	1 036 828
Additions from acquisitions			275 974	275 974
Closing carrying value as at 30 June 2023	275 974	892 883	143 945	1 312 802
Cost	275 974	892 883	143 945	1 312 802
2022				
		Monuments and parks	Other assets	Total
Opening carrying value as at 01 July 2021				
Cost		892 883	143 945	1 036 828
Accumulated impairment losses		-	-	-
		892 883	143 945	1 036 828
Cost		892 883	143 945	1 036 828
Accumulated impairment losses		-	-	-
		892 883	143 945	1 036 828

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
14. Heritage assets (continued)		
14.2 Heritage assets pledged as security		
There were no heritage assets pledged as security during the current financial year.		
Heritage assets used for more than one purpose		
A significant portion of the following heritage assets are used for office accommodation and is therefore included in the balance of property, plant and equipment:		
The following heritage assets are used by the municipality for more than one purpose		
Neethlingshuis and De Withuis	62 337 914	62 697 588
58 - 60 Andringa Street	1 858 476	1 868 632
35B Mark Street	3 121 213	3 130 455
127 Dorp Street, Transvalia, Alma & Bosmanshuis flats	12 618 351	12 649 326
116 - 118 Dorp Street, Voorgelegen - offices	5 516 951	5 537 263
4 Reservoir West, Mooiwater	2 056 781	2 064 905
34 Mark Street, Rynse Komplex; Toy Museum, Tourism	8 118 351	8 149 326
PMU Building, Alexander Street, Burger Huis	1 558 009	1 564 611
Merriman, Bergzicht Training Centre, Oude Libertas Theatre & Restaurant	61 652 545	61 846 119
Die Laan, Landbou Saal	4 329 471	4 336 326
	163 168 062	163 844 551
Expenditure incurred to repair and maintain heritage assets		
The expenditure relating to repairs and maintenance of these buildings is included in the statement of financial performance and disclosed under note 11 to the financial statements.		
There was no repairs and maintenance expenditure incurred on other remaining heritage assets.		
15. Long-term receivables		
Consumer receivables	5.1	
Electricity	554 827	1 183 521
Waste management	534 875	1 067 766
Waste water management	417 415	846 283
Water	2 139 941	3 519 805
Services charges	564 882	1 327 555
Property rates	369 630	738 862
Total	4 581 570	8 683 792
Transferred to current receivables	-	(2 034 864)
Total non-current consumer receivables	4 581 570	6 648 928
Other receivables		
Public organisation	71 703	119 134
Transferred to current receivables	8	(54 542)
Total non-current other receivables	17 161	71 703

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
16. Consumer deposits		
Electricity	12 362 360	12 025 674
Posters	290 106	290 106
Refuse	204 420	205 629
Rental properties	1 820 589	1 747 191
Water	8 452 937	7 387 820
Wayleave	558 413	498 413
Total	23 688 825	22 154 833

Deposits are released on termination of the contract or when the contractual services are delivered.

17. Employee benefits

Non-current employee benefits

Post employment health care benefits	17.1	166 384 001	179 494 000
Long-service awards benefits	17.2	24 816 000	24 606 717
		191 200 001	204 100 717

Current employee benefits

Post employment health care benefits	17.1	9 772 000	9 664 001
Long-service awards benefits	17.2	3 142 020	3 122 303
Bonus	17.3	14 629 565	13 928 763
Staff leave	17.4	30 740 330	32 871 279
		58 283 915	59 586 346
Total employee benefits		249 483 916	263 687 063

17.1 Post employment health care benefits

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The plan is treated as a defined benefit plan under GRAP 25. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by C Weiss of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	Number	Number
In-service members (Employees)	688	673
Continuation members (Retirees)	168	175
In service employees (Non-members)	454	472
Total members	1 310	1 320

The liability in respect of past service has been estimated as follow:

In-service members (Employees)	66 382 000	67 805 000
In-service non-members (Employees)	7 341 000	8 309 000
Continuation members (Retirees)	102 433 001	113 044 001
Total liability	176 156 001	189 158 001
Non-current	166 384 001	179 494 000
Current	9 772 000	9 664 001

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R			
17. Employee benefits (continued)					
Total liability	176 156 001	189 158 001			
The principal assumptions used for the purposes of the actuarial valuations were as follow:					
Rates of interest					
Discount rate	12.32%	11.74%			
Health care cost inflation rate	7.94%	8.37%			
Net effective discount rate	4.06%	3.11%			
Normal retirement age					
The average retirement age for all active employees was assumed to be 62 years.					
Amounts recognised in the statement of financial position					
The amounts recognised in the statement of financial position is as follows:					
Present value of unfunded obligations	176 156 001	189 158 001			
Amounts recognised in the statement of financial performance					
The amounts recognised in the statement of financial performance is as follows:					
Current service cost	5 820 000	5 572 000			
Interest cost	21 656 000	17 958 000			
Actuarial loss/ (gain) recognised in the year	(30 656 325)	(10 615 342)			
Total post-retirement benefit included in employee related costs	35 (3 180 325)	12 914 658			
Movements in the present value of the defined benefit obligation					
Opening balance	189 158 001	185 720 001			
Current service cost	5 820 000	5 572 000			
Interest cost	21 656 000	17 958 000			
Actual employer benefit payments	(9 821 675)	(9 476 658)			
Actuarial loss/ (gain) recognised in the year	(30 656 325)	(10 615 342)			
Present value of fund obligation at the end of the year	176 156 001	189 158 001			
Sensitivity analysis on the Accrued Liability (R Millions)					
Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		73.723	102.433	176.156	
Health care inflation	1%	87.850	111.481	199.331	13%
	-1%	62.395	94.515	156.910	-11%
Discount rate	1%	62.881	94.868	157.749	(11)%
	-1%	87.370	111.188	198.558	13%
Post retirement mortality	1 yr	71.949	99.080	171.029	(3)%
	(1)	75	106	181	3
Average retirement age	- 1 year	80.455	102.433	182.888	4%
Continuation of membership at retirement	(10)%	64.537	102.433	166.970	(5)%

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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17. Employee benefits (continued)

Sensitivity analysis on Current-service and Interest Costs

Assumption	Change	Current-service cost	Interest cost	Total	% Change
Central assumptions		5 820 000	21 656 000	27 476 000	
Health care inflation	1%	7 194 000	24 789 000	31 983 000	16%
	(1)%	4 758 000	19 080 000	23 838 000	-14%
Discount rate	1%	4 837 000	20 802 000	25 639 000	-7%
	(1)%	7 098 000	22 611 000	29 709 000	8%
Post-retirement mortality	+1 yr	5 669 000	20 963 000	26 632 000	-3%
	-1 yr	5 974 000	22 349 000	28 323 000	3%
Average retirement age	-1 yr	6 182 000	22 460 000	28 642 000	4%
Membership continuation	-10%	5 121 000	20 518 000	25 639 000	-7%

Mortality Rates

Post retirement: PA (90) ultimate Mortality table was used.

Pre-retirement: The SA 85-90 ultimate table adjusted for female lives, was used.

Continuation of Membership

With the appointment of ARCH Actuarial Consulting for the year ending 30 June 2023.

17.2 Long-service awards benefits

Provision for long-service awards	17.2.1	27 958 020	27 729 020
Less: Transfer to current portion		(3 142 020)	(3 122 303)
Total non-current benefit		24 816 000	24 606 717
Non-current		24 816 000	24 606 717
Current		3 142 020	3 122 303
Total liability		27 958 020	27 729 020

Long-service awards

The municipality operates a funded defined benefit plan for all its employees. Under the plan, a Long Service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by Arch consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1142 (2022: 1145) employees were eligible for Long Services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	11.38%	11.12%
General Salary inflation	6.62%	7.3%
Net effective discount rate	4.47%	3.56%

GRAP 25 defines the determination of the Discount Rate Assumption to be used as follows:

The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
17. Employee benefits (continued)		
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	27 958 020	27 729 020
Amounts recognised in the statement of financial performance		
The amounts recognised in the statement of financial performance are as follow:		
Current service cost	2 224 000	2 183 000
Interest cost	2 926 000	2 408 000
Actuarial losses / (gains) recognised	(2 139 584)	(1 161 853)
Total expense included in employee related costs	35 3 010 416	3 429 147
17.2.1 Provision for long service awards		
Movements in the present value of the defined benefit obligation		
Opening Balance	27 729 020	27 466 000
Increases	2 224 000	2 183 000
Increases (Passage of Time/Discounted Rate)	2 926 000	2 408 000
Reductions (Payments, remeasurement etc.)	(4 921 000)	(4 327 980)
Closing balance	27 958 020	27 729 020
17.3 Bonus		
Provision for bonus	17.3.1 14 629 565	13 928 763
Less: Transfer to current portion	(14 629 565)	(13 928 763)
Total non-current benefit	-	-
Current	14 629 565	13 928 763
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	14 629 565	13 928 763
Amounts recognised in the statement of financial performance		
The amounts recognised in the statement of financial performance are as follow:		
17.3.1 Provision for bonus		
Movements in the present value of the defined benefit obligation		
Opening Balance	13 928 763	13 782 725
Increases	700 802	146 038
Closing balance	14 629 565	13 928 763
17.4 Staff leave		
Provision for staff leave	17.4.1 30 740 330	32 871 279
Less: Transfer to current portion	(30 740 330)	(32 871 279)
Total non-current benefit	-	-

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
17. Employee benefits (continued)		
Current	30 740 330	32 871 279
Amounts recognised in the statement of financial position		
The amounts recognised in the statement of financial position are as follow:		
Present value of unfunded obligations	30 740 330	32 871 279
17.4.1 Provision for staff leave		
Movements in the present value of the defined benefit obligation		
Opening Balance	32 871 279	30 542 342
Increases	602 366	5 754 363
Reductions (Payments, remeasurement etc.)	(2 733 315)	(3 425 426)
Closing balance	30 740 330	32 871 279

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
18. Lease liabilities		
18.1 Carrying value of lease liabilities		
2023		
	Cost	Total
Carrying value as at 30 June 2023		
Operating lease liability	694 514	694 514
Transferred to current liabilities	(694 514)	(694 514)
Total non-current liabilities	-	-
2022		
	Cost	Total
Carrying value as at 30 June 2022		
Operating lease liability	2 118 022	2 118 022
Transferred to current liabilities	(2 118 022)	(2 118 022)
Total non-current liabilities	-	-

Leasing arrangements

The municipality as a lessee

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
19. Borrowings		
Annuity loans from the Development Bank of South Africa have settlement periods of 14 to 15 years with fixed interest varying from 9.25% to 11.10% per annum.		
Annuity loans from Nedbank Limited have settlement periods of 10 years with fixed interest rates varying from 9.7% to 8.8% per annum..		
Annuity loan from Standard Bank has a settlement period of 10 years with fixed interest rate of 11% per annum.		
Total borrowings		
Annuity and Bullet Loans	501 949 960	478 736 492
Less: Current portion transferred to current liabilities		
Annuity and Bullet Loans	(55 046 811)	(51 902 261)
Non-current borrowings	446 903 149	426 834 231
20. Trade and other payables from exchange transactions		
Bulk purchases	20.1 73 788 181	63 264 302
Contractors	20.2 36 012 306	36 264 018
Control and clearing accounts	20.3 4 061 961	5 712 212
Other payables	20.4 213 425 143	165 684 000
Total	327 287 591	270 924 532
Current	327 287 591	270 924 532
20.1 Bulk purchases		
Bulk water	308 973	361 253
Bulk electricity	73 479 208	62 903 049
Total	73 788 181	63 264 302
20.2 Contractors		
Retentions	36 012 306	36 264 018
20.3 Control and clearing accounts		
Group life control	899 695	899 696
Salary Control	3 162 266	4 812 516
Total	4 061 961	5 712 212
20.4 Other payables		
Auditor-General of South Africa	-	16 507
Payables and accruals	155 225 477	112 382 367
Unallocated deposits	32 759 210	28 026 906
Advance payments	25 440 456	25 258 220
Total	213 425 143	165 684 000

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

21. Payables from non-exchange transactions

		2023				2022			
		Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Capital									
Monetary allocations	21.1	16 210 162	101 704 298	(99 583 330)	18 331 130	7 856 814	93 656 409	(87 197 219)	14 316 004
Operational									
Monetary allocations	21.2	13 571 809	215 419 199	(213 528 834)	15 462 174	7 563 661	197 088 782	(189 272 174)	15 380 269
Total		29 781 971	317 123 497	(313 112 164)	33 793 304	15 420 475	290 745 191	(276 469 393)	29 696 273

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

21. Payables from non-exchange transactions (continued)

21.1 Capital monetary allocations

	2023				2022			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
Departmental agencies and accounts								
National departmental agencies	-	-	-	-	307 361	-	(307 361)	-
District municipalities								
Western Cape	146 959	-	-	146 959	146 959	-	-	146 959
National government								
Integrated National Electrification Programme Grant	8 382 170	28 350 000	(28 701 855)	8 030 315	-	23 400 000	(15 017 830)	8 382 170
Intergrated Urban Development Grant	-	62 459 650	(62 459 650)	-	-	53 093 950	(53 093 950)	-
Total	8 382 170	90 809 650	(91 161 505)	8 030 315	-	76 493 950	(68 111 780)	8 382 170
Private enterprises								
Other transfers private enterprises	440 392	-	-	440 392	1 162 743	-	(808 050)	354 693
Provincial government								
Western Cape	7 240 641	10 894 648	(8 421 825)	9 713 464	6 239 751	17 162 459	(17 970 028)	5 432 182
Total capital monetary allocations	16 210 162	101 704 298	(99 583 330)	18 331 130	7 856 814	93 656 409	(87 197 219)	14 316 004

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

21. Payables from non-exchange transactions (continued)

21.2 Operational monetary allocations

	2023				2022			
	Opening balance	Funds received	Funds utilised	Closing balance	Opening balance	Funds received	Funds utilised	Closing balance
District municipalities								
Western Cape	484 000	615 000	(599 000)	500 000	-	984 000	(500 000)	484 000
National government								
Expanded Public Works Programme Integrated Grant	-	4 928 000	(3 747 841)	1 180 159	-	5 998 000	(5 998 000)	-
Local Government Financial Management Grant	-	1 550 000	(1 550 000)	-	-	1 550 000	(1 550 000)	-
Integrated Urban Development Grant	-	3 287 350	(3 287 350)	-	-	3 847 050	(3 847 050)	-
Equitable Share	-	179 634 000	(179 634 000)	-	-	157 136 000	(157 136 000)	-
Total	-	189 399 350	(188 219 191)	1 180 159	-	168 531 050	(168 531 050)	-
Non-profit institutions								
National Research Foundation	102 000	-	-	102 000	102 000	-	-	102 000
Private enterprises								
Other transfers private enterprises	5 334 735	2 365 413	(103 401)	7 596 747	4 719 413	656 235	(40 913)	5 334 735
Provincial government								
Western Cape	7 412 499	23 039 436	(24 607 242)	5 844 693	2 522 145	26 899 025	(20 200 211)	9 220 959
Public corporations								
Other transfers public corporations	238 575	-	-	238 575	220 103	18 472	-	238 575
Total operational monetary allocations	13 571 809	215 419 199	(213 528 834)	15 462 174	7 563 661	197 088 782	(189 272 174)	15 380 269

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023	2022
	R	R

21. Payables from non-exchange transactions (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

An amount of R3 873 630 in relation to provincial grants: libraries was approved to be rolled over from the 2021/2022 financial year. The split was as follows:

R2 065 169.69 Capital; and
R1 808 460.21 Operating.

From this rollover, the user department requested and received approval from the transferring department that the operating funds be utilised as Capital. The total amount approved for roll-over was the transferred to the Capital opening balance in the note disclosed above.

22. Provisions

Landfill sites

Non-current

22.1 Landfill sites

Opening Balance	160 533 093	141 497 318
Increases/ (Decreases)	(77 151 099)	9 130 963
Increases (Passage of Time/Discounted Rate)	12 039 982	9 904 812
Closing balance	95 421 976	160 533 093

Landfill site provision

The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 16/2/7/G203/D16/Z1/P331) issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989)

In terms of the licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R95 421 976 (2022: R160 533 093) to restore the site at the end of its useful life.

The unwinding of the provision for landfill site for the current year was R12 039 982 (2022: R9 904 812) was included in the finance cost in the statement of financial performance.

Cells 1 and 2 have reached full capacity and must be rehabilitated. The expected future cash outflows for cells 1 and 2 should commence in the 2025/2026 financial year. Cell 3 has come into use at the end of 30 June 2013 financial year and is the current landfill site in use. The expected future cash outflows is between July 2044 and July 2048 for cell 3.

The provision has been determined based on an independent valuation performed by a firm of consulting engineers as at 30 June 2023

Key cost parameters:

- Estimated post closure rehabilitation time 3 years
- Inflation rate 5.6% (2022: 7.4%)
- Discount rate 11.25% (2022: 7.75%)

Refer to note 47 for contribution to the provision.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
23. Property rates		
Agricultural property	19 435 922	18 490 474
Business and commercial properties	157 319 688	166 626 428
Public benefit organisations	38 949	24 424
Public service purposes properties	9 564 881	9 290 588
Residential properties	243 560 455	216 061 713
Vacant land	14 115 461	3 952 269
Total	444 035 356	414 445 896

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to consider any changes in individual property values, due to amendments. The current Valuation Roll came into effect on 01 July 2021. With reference to Section 78 of the Local Government: Municipal Property Rates Act, No. 6,2004, five reviews have been finalised and one supplementary valuation has been performed during the financial year and implemented accordingly.

The following assessment rates were charged for the period ending June 2023:

Residential Property – R 0.004759

Business and Commercial Property – R 0.009993

Agricultural Property – R 0.001189

Public Service Purposes – R 0.009993

Public Service Infrastructure – R 0.001189

Public Benefit Organization – R 0.001189

Vacant Residential – R 0.009518

Vacant other – R 0.019035

Property Rates are levied monthly on property owners' accounts and are payable the 7th of each month. Property owners may request to pay their Rates annually, which amount will be levied in July and must be paid by the 7th of October annually. Interest on outstanding accounts for Property Rates is levied as per Council's Credit Control and Debt Collection Policy.

Relief Measures

The relief measures on property rates are generally described in paragraph 8 of the approved Property Rates Policy of the Municipality. This includes the specific under mentioned relief measures:

Rebate and gross monthly household income for Qualifying senior citizens and Disabled persons:

Gross monthly household income %

Up to R8 000 - 100%

From R8 001 to R 10 000 - 75%

From R10 001 to R12 000 - 50%

From R12 001 to R15 000 - 25%

Municipal valuation threshold value

On qualifying residential properties, property owners will receive a rebate up to a maximum value of R250 000, which amount includes a value of R15 000 as per Section 17(1)(h) of the Local Government: Municipal Property Rates Act, No. 6, 2004, and an additional value of R235 000 reduction granted as per paragraph 8.2.1(ii) of the approved Property Rates Policy.

Paragraph 8.2.1 (ii) is only applicable on properties with valuations up to R5 000 000.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
23. Property rates (continued)			
Stellenbosch special rebate			
A rebate of 20% may be granted as per paragraph 8.6 of the approved Rates policy of the municipality.			
Other rebates			
Rebates have also been granted to qualifying non-profit organizations and to organizations who qualified for any other rebate as defined in the Property Rates Policy. Any other exclusions or exemptions have been granted in accordance with the Local Government: Municipal Property Rates Act, No. 6, 2004.			
24. Transfers and subsidies - Revenue			
Operational			
Monetary allocations	24.1	211 107 092	196 208 355
Capital			
Allocations in-kind	24.2	22 920	50 000
Monetary allocations	24.3	100 311 831	94 509 119
Total transfers and subsidies: Capital		100 334 751	94 559 119
Total		311 441 843	290 767 474
24.1 Monetary allocations: Operational			
District municipalities		599 000	500 000
National governments		8 585 191	11 395 051
National revenue fund		179 633 999	157 135 999
Provincial government		22 288 902	27 177 305
Total		211 107 092	196 208 355
24.2 Allocations in-kind: Capital			
Private enterprises		-	50 000
Public corporations		22 920	-
Total		22 920	50 000
24.3 Monetary allocations: Capital			
Departmental agencies and accounts		-	307 361
National government		91 161 505	68 111 780
Provincial governments		9 150 326	26 089 978
Total		100 311 831	94 509 119
Included in above are the following transfers and subsidies received:			
Conditional grants received		137 829 497	133 609 190
Unconditional grants received		179 634 000	157 136 000
		317 463 497	290 745 190

Grant revenue is recognised when all the conditions of the grant has been met.

25. Fines, penalties and forfeits

Fines	25.1	146 657 768	122 932 562
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Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
25. Fines, penalties and forfeits (continued)		
25.1 Fines		
Traffic fines		
Municipal fines	146 459 602	122 762 554
Other fines		
Building fines	11 044	23 478
Law enforcement	126 077	31 865
Overdue books	20 021	40 372
Pound fees	41 024	74 293
	198 166	170 008
Total	146 657 768	122 932 562
26. Interest earned from receivables		
Exchange receivables	26.1 16 467 413	10 428 555
Non-exchange receivables	26.2 3 418 263	2 430 082
Total	19 885 676	12 858 637
26.1 Interest earned from exchange receivables		
Consumer receivables		
Electricity	1 870 939	1 484 989
Service charges	1 044 584	684 532
Waste management	2 806 309	1 584 304
Waste water management	2 231 528	1 400 356
Water	8 514 053	5 274 374
	16 467 413	10 428 555
26.2 Interest earned from non-exchange receivables		
Consumer receivables		
Property rates	3 418 263	2 430 082
27. Service charges		
Electricity		
Electricity sales	779 983 813	756 431 257
Waste management		
Waste management sales	89 836 854	84 651 895
Waste water management		
Waste water management sales	106 739 375	102 285 414
Water		
Water sales	162 138 204	146 829 883
Total service charges	1 138 698 246	1 090 198 449
The amounts disclosed above for service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
28. Rental		
Rental from fixed property	12 373 336	12 172 871

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
29. Interests on investments			
Bank accounts		5 423 264	2 318 032
Financial assets		-	15 296
Short-term investments and call accounts		36 826 894	16 437 013
Total		42 250 158	18 770 341
30. Licences or permits			
Exchange revenue	30.1	8 407 621	7 809 443
30.1 Licenses and permits - Exchange revenue			
Market porters		164 642	100 913
Road and transport		8 240 238	7 708 008
Trading		2 741	522
Total		8 407 621	7 809 443
31. Agency services			
Provincial		3 438 321	3 019 961
<p>The municipality collects license fees on behalf of the Provincial Government Western Cape and receives a 12% agency fee.</p> <p>The municipality, as an agent, recognises only the portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.</p> <p>No resources are held by the municipality on behalf of the principle.</p>			
32. Operational revenue			
Administrative Handling Fees		284 601	296 143
Breakages and Losses Recovered		2 691	7 794
Collection Charges		2 727 349	2 599 387
Incidental Cash Surpluses		5 657	5 977
Inspection fees		29 644	3 658
Insurance Refund		1 065 491	970 346
Merchandising, Jobbing and Contracts		4 860 840	6 087 144
Recovery Maintenance		614 166	159 765
Request for information		58 649	106 127
Skills Development Levy Refund		864 945	807 097
Staff and Councillors Recoveries		629 244	7 718
Development Charges		33 110 235	30 472 217
Total		44 253 512	41 523 373

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
33. Sales of goods and rendering of services		
Application Fees for Land Usage	1 138 591	485 946
Building Plan Approval	6 783 438	8 561 312
Cemetery and Burial	1 106 042	999 722
Clearance Certificates	464 612	456 411
Computer Services	13 800	-
Construction Contract Revenue	-	287 846
Encroachment Fees	5 533 562	3 825 308
Entrance Fees	1 037 941	566 516
Fire Services	182 325	93 716
Housing (Boarding Services)	351 907	-
Legal Fees	-	147 140
Library Fees	917	1 573
Special rating area	7 983 666	7 523 406
Parking Fees	4 422 045	5 612 297
Photo copies, Faxes and Telephone charges	65 744	56 117
Removal of Restrictions	131 196	405 436
Sale of Goods	460 209	537 773
Re-allocation Fees	5 298	900
Total	29 681 293	29 561 419
34. Gain/(Loss) on disposal of fixed and intangible assets		
Gains/(losses) on disposals	(639 332)	(3 063 675)

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
35. Employee related cost		
Municipal staff including Senior Management	542 779 491	549 554 622
Senior Management Costs		
Basic Salary	8 058 591	7 272 858
Performance bonus	1 230 008	1 242 165
Contribution to pension fund, UIF, SDL	996 649	967 454
Car allowance	500 930	553 984
Cell phone allowance	241 400	133 000
Leave	-	345 326
Housing allowance	18 000	18 000
Acting allowance	5 261	5 461
	11 050 839	10 538 248
35.1 Municipal staff costs		
Basic salary	339 618 066	333 628 987
Bonuses	19 026	-
Service-related benefits	90 831 154	86 923 203
Allowances	14 123 027	14 216 037
Bargaining council	233 077	227 044
Group life insurance	7 034 390	5 804 754
Medical	26 984 782	25 564 279
Pension	55 643 449	52 554 036
Post-retirement benefit costs	27 476 000	23 530 000
Post-retirement benefit: Actuarial (Gains)/Loss	(30 656 325)	(10 615 342)
Long service awards: Actuarial (Gains)/Loss	(2 139 584)	(1 161 833)
Leave gratuity contribution/(Reversal)	(42 432)	6 106 278
Unemployment insurance	2 685 159	2 707 469
Total	531 809 789	539 484 912
35.2 Senior management costs		
Municipal Manager - G Mettler		
Basic salary	1 358 591	1 313 408
Performance bonus	258 074	263 283
Contribution to pension fund, UIF, SDL	332 871	337 255
Car allowance	180 000	150 604
Cellphone allowance	40 800	22 800
Leave	-	273 667
	2 170 336	2 361 017
Chief Financial Officer - K Carolus		
Basic salary	1 076 049	956 889
Performance bonus	210 323	204 782
Contributions to Pension Fund, Medical Aid, UIF, SDL	245 776	234 604
Car allowance	243 978	241 563
Cellphone allowance	40 800	22 800
Housing allowance	18 000	18 000
	1 834 926	1 678 638
Director: Planning and Development - A Barnes		
Basic salary	1 269 894	1 152 374
Performance bonus	165 211	159 754
Contribution to pension fund, UIF, SDL	311 901	298 955
Cellphone allowance	40 800	22 800
	1 787 806	1 633 883

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
35. Employee related cost (continued)		
Director: Corporate Services - A de Beer		
Basic salary	1 552 174	1 415 915
Performance bonus	210 453	204 782
Contribution to pension fund, UIF, SDL	35 342	33 817
Cellphone allowance	40 800	22 800
	1 838 769	1 677 314
Director: Corporate and protection services - G Boshoff		
Basic salary	1 492 174	1 354 425
Performance bonus	210 732	204 782
Contribution to pension fund, UIF, SDL	37 377	35 808
Car allowance	60 433	61 323
Cellphone allowance	40 800	22 800
Acting allowance	2 877	-
	1 844 393	1 679 138
Director: Infrastructure Services - P Chandaka		
Basic salary	1 312 093	1 079 847
Performance bonus	-	204 782
Contribution to pension fund, UIF, SDL	33 382	27 015
Car allowance	16 520	100 494
Cellphone allowance	37 400	19 000
Acting allowance	-	5 461
Leave	-	71 659
	1 399 395	1 508 258
36. Remuneration of councillors		
Executive mayor	1 025 458	921 503
Chief whip	774 160	679 629
Speaker	827 459	739 077
Deputy executive mayor	845 360	751 959
Executive committee	8 081 224	6 607 660
All other councillors	11 211 096	10 115 420
Total	22 764 757	19 815 248
Executive Mayor - G van Deventer		
Basic salary	803 458	698 553
Travel allowance	180 000	180 135
Cellphone allowance	40 800	39 342
Data card allowance	1 200	3 473
	1 025 458	921 503
Deputy Executive Mayor - J Fassler		
Basic salary	768 759	451 541
Cellphone allowance	40 800	25 742
Data card allowance	1 200	2 271
Trevelling	2 578	-
	813 337	479 554

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
36. Remuneration of councillors (continued)			
Speaker - Q Smit			
Basic salary		605 459	346 541
Travel allowance		180 000	105 000
Cellphone allowance		40 800	25 742
Data card allowance		1 200	2 271
		827 459	479 554
Council Whip - P Crawley			
Basic salary		526 585	282 056
Travel allowance		167 957	97 974
Cellphone allowance		40 800	26 390
Data card allowance		1 200	2 328
Pension fund contributions		37 618	20 462
		774 160	429 210
Executive committee			
Basic salary		6 205 720	5 209 887
Travel allowance		299 089	739 275
Cellphone allowance		381 418	376 914
Data card allowance		10 500	33 257
Pension fund contributions		230 356	200 806
Medical aid benefits		34 560	47 520
Back pay		32 023	-
		7 193 666	6 607 659
All other councillors			
Basic salary		9 389 428	7 736 174
Travel allowance		154 916	742 534
Cellphone allowance		1 278 245	1 236 790
Data card allowance		38 386	109 185
Pension fund contributions		239 635	192 881
Medical aid benefits		83 520	97 854
		11 184 130	10 115 418
37. Bad debt written off			
Electricity		154 306	373 181
Refuse		904 123	426 880
Sewerage		781 479	424 045
Water		4 536 770	2 907 506
Housing rental		582 310	395 817
Rates		2 007 210	626 437
Traffic fines		82 979 503	79 831 030
		91 945 701	84 984 896
38. Depreciation and amortisation			
Amortisation			
Intangible assets	12.1	1 175 448	1 496 422
Depreciation			
Investment property	10.1	423 567	251 884
Property, plant and equipment	11	230 079 987	216 944 815
		230 503 554	217 196 699
Total		231 679 002	218 693 121

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

		2023 R	2022 R
39. Impairment losses			
Property, plant and equipment		1 572 668	2 722 872
40. Finance cost			
Interest	40.1	59 928 458	44 332 364
40.1 Interest cost			
Financial liabilities			
• Annuity loans		46 712 396	34 510 711
Discounting of financial instruments	20	1 176 080	(922 251)
Interest costs non-current provisions	22	12 039 982	9 904 812
Transfers and subsidies payable	21	-	839 092
Total		59 928 458	44 332 364
41. Bulk Purchases			
Electricity: Eskom		521 011 668	528 011 715
Water		22 990 433	31 417 675
Total		544 002 101	559 429 390
42. Inventory consumed			
Consumables		39 239 118	23 808 085
Housing stock		150 000	345 000
Materials and supplies		24 782 944	20 467 346
Total		64 172 062	44 620 431
43. Contracted services			
Consultants and professional services	43.1	25 003 332	27 628 960
Contractors	43.2	83 207 943	82 880 513
Outsourced services	43.3	120 227 016	97 722 975
Total		228 438 291	208 232 448
43.1 Consultants and professional services			
Business advisory services			
Audit committee		296 411	364 375
Business and financial management		3 793 067	3 074 693
Forensic investigators		279 541	-
Human resources		54 110	132 862
Organisational		-	96 787
Project management		11 993 539	13 690 224
Research and advisory		650 055	2 226 504
Valuer and assessors		936 051	1 636 061
Total business advisory services		18 002 774	21 221 506
Laboratory services			
Water		1 707 535	1 065 759

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
43. Contracted services (continued)		
Legal services		
Issue of summons	78 970	20 838
Legal advice and litigation	5 214 053	5 320 857
Total legal services	5 293 023	5 341 695
Total consultants and professional services	25 003 332	27 628 960
43.2 Contractors		
General services		
Bore waterhole drilling	7 614	-
Catering services	940 929	115 010
Employee wellness	92 875	9 289
Event promoters	1 638 094	-
Forestry	1 858 713	4 671 452
Gardening services	147 486	460 381
Gas	1 337	-
Graphic designers	146 789	56 330
Interior decorator	199 849	26 524
Management of informal settlements	6 899 621	1 645 862
Medical services	55 716	19 652
Pest control and fumigation	80 396	73 119
Plants, flowers and other decorations	708 526	408 573
Preservation/Restoration/Dismantling/Cleaning services	266 900	566 917
Sewerage services	6 414 822	6 163 179
Stage and sound crew	145 195	51 800
Tracing agents and debt collectors	2 206 910	2 007 251
Transportation	1 721 769	3 505 361
Total general services	23 533 541	19 780 700
Maintenance services		
Maintenance of buildings and facilities	7 106 472	6 838 531
Maintenance of equipment	3 443 803	2 656 949
Maintenance of unspecified assets	43 686 063	46 929 414
Total maintenance service	54 236 338	56 424 894
Trading services		
Prepaid electricity vendors	5 438 064	6 674 919
Total contractor	83 207 943	82 880 513
43.3 Outsourced services		
Business and advisory services		
Accounting and Auditing	128 530	-
Project Management	1 958 390	1 389 847
Research and Advisory	-	516 145
Total business and advisory services	2 086 920	1 905 992

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
43. Contracted services (continued)		
General services		
Animal Care	11 650	102 221
Catering Services	17 884	507 403
Cleaning Services	1 513 186	476 670
Clearing and Grass Cutting Services	1 705 461	2 662 480
Drivers Licence Cards	721 725	802 300
Internal Auditors	172 328	1 500
Litter Picking and Street Cleaning	3 106 885	4 293 304
Medical Services	636	-
Personnel and Labour	806 560	371 735
Professional Staff	303 600	592 528
Refuse Removal	53 682 787	47 196 621
Traffic Fines Management	9 646 176	8 424 289
Translators, Scribes and Editors	-	1 300
Transport Services	313 299	147 600
Total general services	72 002 177	65 579 951
Trading services		
Security Services	46 137 919	30 237 032
Total outsourced services	120 227 016	97 722 975
44. Transfers and subsidies - Expenditure		
Operational		
Allocations in-kind	44.1 4 264 641	-
Monetary allocations	44.2 13 493 614	13 363 879
Total transfers and subsidies: Operational	17 758 255	13 363 879
44.1 Allocations in-kind: Operational		
Households	4 264 641	-
44.2 Monetary allocations: Operational		
Households	962 361	807 629
Non-profit institutions	12 531 253	12 556 250
Total	13 493 614	13 363 879

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
45. Operational Cost		
Achievements and Awards	17 754	12 439
Advertising, Publicity and Marketing	2 110 817	1 528 667
Assets less than the Capitalisation Threshold	163 991	415 926
Bank Charges, Facility and Card Fees	1 803 393	1 578 109
Bargaining Council	6 845 910	4 301 799
Bursaries (Employees)	527 015	514 009
Cleaning Services	2 583	2 276
Commission	1 832 347	2 419 679
Communication	10 328 853	10 571 338
Deeds	2 348	-
Drivers Licences and Permits	12 660	22 365
Entertainment	7 380	52 958
External Audit Fees	8 104 988	5 413 885
External Computer Service	23 831 956	24 478 474
Full Time Union Representative	154 242	55 940
Hire Charges	11 816 150	6 209 994
Honoraria (Voluntarily Workers)	48 165	35 500
Indigent Relief	4 519 318	6 134 237
Insurance Underwriting	8 060 258	6 393 368
Learnerships and Internships	348 216	141 346
Licences	1 734 225	1 641 313
Management Fee	8 969 582	9 778 480
Municipal Services	15 209 418	11 501 460
Office Decorations	19 374	36 983
Printing, Publications and Books	324 046	521 208
Professional Bodies, Membership and Subscription	199 497	186 468
Registration Fees	4 373 990	2 194 586
Resettlement Cost	36 945	26 043
Road Worthy Test	-	404
Samples and Specimens	1 024 635	1 167 422
Search Fees	56 260	46 790
Signage	-	1 800
Skills Development Fund Levy	4 805 444	4 684 477
Storage of Files (Archiving)	81 361	56 647
Supplier Development Programme	28 125	530 650
System Access and Information Fees	55 193	47 765
Travel Agency and Visa's	23 217	-
Travel and Subsistence	729 760	298 092
Uniform and Protective Clothing	8 575 384	7 957 561
Vehicle Tracking	639 319	663 982
Workmen's Compensation Fund	4 065 666	1 847 772
Total	131 489 785	113 472 212

The following principle agent arrangements were in place in relation to the expenditure as contained in note 45 to the annual financial statements:

Pay@ (Agent) provides the Municipality with payment service solutions on behalf of the Municipality. Pay@ pays over the monies generated from the payment services to the Municipality. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the fee to be paid to Pay@ (as stipulated in the relevant service schedule or based on Pay@'s standard prevailing rates), is recognized as an expense.

EasyPay (Agent) is a payment platform used to collect municipal service payments from third parties. These payments are accepted by EasyPay on behalf of the Municipality (Principal), from third parties. A service charge is levied by EasyPay for collection of the payments. This fee is recognised as commissions paid.

SPS (Agent) collects parking tariffs from motorists on behalf of the Municipality. SPS pays over the tariffs collected to the Municipality, minus the service charge levied. The municipality recognises 100% of the tariff as revenue from exchange transactions and the service charges incurred to SPS is recognized as an expense. This service provider was only utilised in the prior year (2021-2022).

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
45. Operational Cost (continued)		
<p>Syntell (Agent) sells and collects money from the sale of prepaid electricity on behalf of the Municipality. Syntell pays over the monies collected to the Municipality, minus the collection fee levied, determined at a rate specific in the Service Level Agreement. The municipality recognises 100% of the money's collected as revenue from exchange transactions and the collection fee paid to Syntell (which includes costs incurred on debit or credit card electricity sales and cash handling fees incurred), is recognized as an expense.</p> <p>TMT (Agent) manages the collection of traffic fines (both legacy fines issue before 1 July 2017 and fines issued after this date), on behalf of the Municipality. TMT pays over the monies collected to the Municipality. The municipality recognises 100% of the money's collected as revenue from non - exchange transactions and the fee incurred to TMT is recognized as an expense.</p> <p>These arrangements are subject to standard terms and conditions upon termination.</p> <p>None of the municipalities assets are under the custodianship of the agents.</p>		
46. Operating leases		
Furniture and Office Equipment	2 033 762	2 930 829
Investment Properties	6 068 633	10 368 396
Machinery and Equipment	1 190 102	1 691 309
Total	9 292 497	14 990 534
47. Contribution to Provision		
Landfill site	(69 693 846)	6 287 548
48. Contribution to allowance for doubtful debt		
Contribution to exchange transactions	31 475 278	33 515 674
Contribution to non-exchange transactions	39 246 803	18 195 690
	70 722 081	51 711 364
49. Inventories losses/write-down		
Inventory	389 307	115 859

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Notes to the Annual Financial Statements

	2023 R	2022 R
50. Net cash from/(used) operating activities		
Surplus after capital transfers and contributions	253 243 188	108 669 963
Adjustments for:		
Depreciation and amortisation	231 678 995	218 693 121
Bad debts written off	91 945 701	84 984 896
Impairment Losses	1 572 668	2 722 872
(Gains) / Losses on disposal of assets	639 332	3 063 675
Finance Cost	12 039 982	9 904 813
Increase / (Decrease) in provisions	(77 151 099)	9 130 963
Increase / (Decrease) employee benefit	(14 203 146)	6 771 716
Increase / (Decrease) operating Lease - Straight Lining	(1 423 508)	(1 621 452)
Other non-cash movements	(83 074)	(57 003)
Debtors Impairment	70 722 081	51 711 364
Fair value adjustment	1 176 080	-
Inventory losses	539 307	460 859
Other changes, movements in PPE	-	(12 195 979)
Other non cash movements in Assets	(2 258 793)	17 309 097
Rehabilitation provision capitalised	7 457 254	(2 843 415)
Movement in working capital		
(Increase) / Decrease in receivables from non-exchange transactions	(125 672 731)	(108 373 237)
(Increase) / Decrease in inventory	12 519 058	23 824 253
(Increase) / Decrease in receivables from exchange transactions	(86 170 424)	(54 817 116)
(Increase) / Decrease in other receivables from exchange	(14 486 871)	3 048 496
(Increase) / Decrease in Long-term receivables	945 820	1 160 041
Increase / (Decrease) in unspent grants	4 097 031	14 192 697
Increase / (Decrease) in VAT receivable	6 637 239	858 308
Increase / (Decrease) in consumer deposits	1 533 992	1 147 001
Increase / (Decrease) in payable from non-exchange	56 363 059	(27 101 241)
Net cash flows from operating activities	431 661 141	350 644 692

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
51. Financial instruments disclosure		
Categories of financial instruments		
2023		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	248 533 953	248 533 953
Receivables from exchange	217 629 743	217 629 743
Other receivables from exchange	6 431 810	6 431 810
Receivables from non-exchange	10 460 788	10 460 788
Short term investments	331 767 247	331 767 247
Long term receivables	4 598 731	4 598 731
	819 422 272	819 422 272
Financial liabilities		
	At amortised cost	Total
Consumer deposits	23 688 825	23 688 825
Borrowings	501 949 960	501 949 960
Payables from exchange transactions	294 053 688	294 053 688
	819 692 473	819 692 473
2022		
Financial assets		
	At amortised cost	Total
Cash and cash equivalents	137 877 710	137 877 710
Receivables from exchange	169 893 585	169 893 585
Other receivables from exchange	5 852 606	5 852 606
Receivables from non-exchange	18 645 756	18 645 756
Short term investments	305 522 446	305 522 446
Long term receivables	6 720 631	6 720 631
	644 512 734	644 512 734
Financial liabilities		
	At amortised cost	Total
Consumer deposits	22 154 833	22 154 833
Borrowings	478 736 492	478 736 492
Payables from exchange transactions	236 931 678	236 931 678
	737 823 003	737 823 003
<p>We draw to your attention, the payables from exchange transactions in the comparative year contains an error. This was due to the salary control and group life control accounts being erroneously included. The effects of this error is represented as follows:</p>		
Payables from exchange transactions		
Amount previously reported		- 241 129 880
Salary and group life correction		- (4 198 202)
		- 236 931 678

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

2023
R

2022
R

52. Risk management

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	23 688 825	-	-	-
Borrowings	104 080 467	104 080 467	278 469 805	244 345 506
Payables from exchange transactions	294 053 688	-	-	-
At 30 June 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	22 160 472	-	-	-
Borrowings	92 860 606	92 860 606	259 571 387	266 345 634
Payables from exchange transactions	236 931 678	-	-	-

We draw to the users attention the following prior period error which refers to the maturity analysis disclosed in this note. The amount previously disclosed did not include the undiscounted interest as disclosed below.

Borrowings: Less than 1 year - Undiscounted interest previously excluded	-	40 958 345
Borrowings: Between 1 and 2 years - Undiscounted interest previously excluded	-	42 002 718
Borrowings: Between 2 and 5 years - Undiscounted interest previously excluded	-	93 979 516
Borrowings: More than 5 years - Undiscounted interest previously excluded	-	55 961 702
	-	232 902 281

Risk from biological assets

The municipality is exposed to financial risks arising from changes in wood prices. The municipality does not anticipate that wood prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in wood prices. The municipality reviews its outlook for wood prices regularly in considering the need for active financial risk management.

Interest rate risk management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Stellenbosch Municipality

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2023	2022
R	R

52. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of receivables are drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no variable rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

2023	2022
R	R

52. Risk management (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Receivables from exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of the allowance for impairment.

Receivables from non-exchange transactions comprise of a large number of ratepayers, dispersed across different industries and geographical areas within the jurisdiction of the municipality. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from non - exchange transactions are presented net of the allowance for impairment.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. Receivables are provided for based on estimated irrecoverable amounts, determined by reference to a non payment rate.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Payment to accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

There is no collateral held for security in respect of consumer debtors.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:	2023	2022
Cash and cash equivalents	248 529 665	137 877 710
Short term investments	331 767 247	305 522 446
Receivables from exchange transactions	217 629 743	169 893 585
Other receivables from exchange transactions	6 431 810	5 852 606
Receivables from non-exchange transactions	10 460 788	18 645 756
Long term receivable	4 598 731	6 720 631

Foreign currency risk management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
52. Risk management (continued)		
Other price risks		
The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.		
53. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure assets	236 525 122	176 428 333
• Property, plant and equipment - other assets	67 895 389	18 169 063
	304 420 511	194 597 396
Total capital commitments		
Already contracted for but not provided for	304 420 511	194 597 396
Total commitments		
Total commitments		
Authorised capital expenditure	304 420 511	194 597 396

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

The amounts as disclosed are VAT inclusive.

The comparative year contains an error in relation to the prior year audited financial statements. The effects of this is represented as follows:

Commitments		
Amount previously reported - Property, plant and equipment - Infrastructure assets	-	174 098 225
Amount previously reported - other assets	-	17 449 135
Correction of error - Property, plant and equipment - Infrastructure assets	-	2 330 108
Correction of error - other assets	-	719 928
		- 194 597 396

54. Related party disclosures

Loans granted to related parties

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 01 July 2004. Loans, together with conditions thereof granted prior to this date are disclosed in note 15 in the annual financial statements.

Remuneration of management

Compensation of key management and personnel is set out in notes 35 and 36 respectively in the annual financial statements.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

				2023	2022
				R	R
55. Awards to close family members - SCM Regulation 45					
Awards to close family members of persons in the service of Stellenbosch Municipality					
Supplier name	Employee name	Relationship	Department	2023	2022
**Kemanzi (Pty) Ltd - B/SM 71/22 (Rates)	JN Du Toit	Spouse	Department of Local Government	626 501	-
** - FQ 22/23				169 740	-
#Conlog (Pty) Ltd - B/SM 03/23	N Moodley	Spouse	Department of Health	-	-
*Eugene Mark Hartley Redhills Electronics - FQ 18/23	L Hartley	Spouse	Education Department	200 000	-
Zutari (Pty) Ltd - B/SM 93/23	HC Alschlager	Spouse	Special Investigations Unit	1 498 896	-
	MR Marques	Spouse	Department of internal affairs	-	-
	K Nadasen	Spouse	National Department of Public Works	-	-
	TJ Ndala	Spouse	School Principle	-	-
- BSM 98/21				-	6 316 500
- B/SM 118/21				-	2 016 515
- B/SM 121/21				-	867 329
- B/SM 115/21				-	3 819 344
*Ikapa Reticulation - B/SM 10/23	Cindy Schuyler Davids	Child	Education Department	20 472 196	-
- B/SM 54/21				-	-
- B/SM 52/21				-	-
# Ganwa Consulting & Development B/SM 101/21	NW Ngomane	Spouse	Transnet	-	-
Stellemploy B/SM 117/21	Viginia Jumat	Child	Stellenbosch Municipality	-	380 926
# Webber & Wentzel B/SM 54/22 (Rates)	Jennifer Abraham	Parent	Department of Education	-	-
	Clive Truter	Parent	Department of Education	-	-
	Anlerie Marelese	Parent	West Coast Education District	-	-
	Truter			-	-
	Esther Watson	Parent	Department of public service	-	-
	Johannes Cornelius	Parent	Beaufort West Municipality	-	-
	Louw Smit			-	-
	Busisiwe Thembekile Mahlangu	Parent	Department Of Education	-	-
	Nicoas Dias	Spouse	City of Cape Town	-	-
	Khomotso Nonyane	Spouse	Petro SA	-	-
	Irma Brink	Mother	Department Of Education - Free State	-	-
	Alison Smith	Parent	South African Airways	-	-
	Sizi Qolohle	Parent	National Treasury	-	-

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Notes to the Annual Financial Statements

				2023 R	2022 R
55. Awards to close family members - SCM Regulation 45 (continued)					
	Hein Prinsloo	Parent	Development Bank of Southern Africa	-	-
	Jolande Botha	Parent	Department of Education	-	-
	Paul van den Brink	Spouse	Wesgro	-	-
	Barbara Watson	Parent	Independent Non-executive Director of the PIC	-	-
	Mark Rutherford-Jones	Spouse	Nedbank South Africa	-	-
	Pieter Coetzee	Parent	Tshwane metro Police Department	-	-
	Sizi Solohle	Parent	National Treasury	-	-
**Ian Dickie and Company (Pty) Ltd - FQ 17/23	Deon Samuels	Spouse	SA Police Service	44 040	-
- FQ 32/22				-	30 171
Nedbank B/SM 81/23	Venisha Subramoney	Spouse	Department of Education	104 882 421	-
*Rhode Security & Fire CC T/A Rhotech FQ 59/23	Re Matthee	Spouse	Correctional Services	200 000	-
*Cape Petroleum FQ 95/23	Lydia B. Mdyogolo	Spouse	Educator: Ntwasahlobo	151 510	-
# Kemp & Associates B/SM 54/22 (Rates)	Mervin Williams	Spouse	Stellenbosch Municipality	-	-
# Van Der Spuy (Wp) Inc BSM 54/22 (Rates)	Mariaan Van Zyl	Spouse	Head Mistress Paarl Girls High School	-	-
**Van Zyl Kruger Inc B/SM 54/22	Peter Marais	Parent	Member Of Parliament	48 832	-
# Etienne Walter Vermaak B/SM 54/22 (Rates)	JMC Vermaak	Spouse	Phamacist @ Department of Health	-	-
# Herold Gie Attorneys B/SM 54/22 (rates)	K Meyer	Parent	Senior Clerk @ City of Cape Town	-	-
Empa structures B/SM 05/23	Gaylon Petersen	Wife	Driver City of Cape Town	414 102	-
Adapt IT Holding Limited D/SM 13/23	Dudley Muziwanadoda	Spouse	Sanral	335 942	-
	Siyothozoza Mbmabo				
*Resource Innovation Africa D/SM 14/23	Kaveesh Ramdoe	Spouse	Ethekeweni Municipality	1 187 049	-
*Red Ant Security D/SM 17/23	Noxolo Lesiela	Spouse	Mogale City Local Municipality	1 670 153	-
Steven Happie B/SM 116/21	Franciska Happie	Spouse	City of Cape Town	-	106 095
Wilstan book supplies FQ 22/22	Valencia Beukes	Spouse	City of Cape Town	-	121 665
	Williams				
Ducharme Assets FQ 128/22	Lamahlabi Mbekeni	Spouse	Dept of Rural Development	-	164 450
JVZ Construction B/SM 124/21	RE Matthee	Spouse	Correctional services	-	2 369 349
				131 901 382	16 192 344

Awards to close family members actual award amount is disclosed in the note above. In the event that an award amount is not present, an estimate will be made for that award. These are demarcated with an *. In the event that an estimate is not possible, actual expenditure will be disclosed. These are demarcated with a **. In the event that none of these options are probable these awards will be demarcated with a #.

The comparative information in this note has been restated due to awards included erroneously in the disclosure. The financial effect of this error is denoted below:

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
55. Awards to close family members - SCM Regulation 45 (continued)		
Nature of error		
Amount previously reported	-	60 704 134
Awards erroneously included	-	(44 511 790)
		16 192 344

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
56. Unauthorised, irregular, fruitless and wasteful expenditure		
56.1 Unauthorised expenditure		
The municipality incurred no unauthorised expenditure in both the current and previous financial year.		
56.2 Irregular expenditure		
Opening balance as previously reported	26 402 075	99 389 541
Add: Irregular expenditure - current	30 992 707	42 119 538
Add: Irregular expenditure – prior period	7 434 902	2 974 982
Less: Amounts written-off – current	(34 700 110)	(118 081 987)
Closing balance	30 129 574	26 402 074
Incidents/cases identified in the current year include those listed below:		
Irregular expenditure was identified as it breached the procurement process in terms of the Supply Chain Management Policy	12 751 493	3 505 672
The Auditor-General, in its findings during the 2019/2020 financial year, identified that the Municipality awarded that does not comply with Preferential Procurement Regulations 2017.	25 676 116	41 588 848
The Auditor-General, in its findings during the 2017/2018 financial year, identified that the Municipality did not include a specific condition that local production and content is applicable when inviting bidders to tender (advertisement). Furthermore the Municipality also did not include the local production and content in the bid documents (MBD 6.2) and the suppliers declared accordingly. The Auditor-General concluded that the tender award does not comply with Preferential Procurement Regulations 2017.		
Total	38 427 609	45 094 520
56.3 Fruitless and wasteful expenditure		
Opening balance previously reported	-	-
Due to an investigation performed externally, the outcome concluded that the expenditure was not fruitless and wasteful. The effect of this prior period error is displayed below:		
Nature of error		
Amount previously reported	-	4 266 953
Correction of error	-	(4 266 953)
	-	-

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
57. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to SALGA		
Opening balance	7 205	-
Current year subscription / fee	6 316 571	6 052 817
Early settlement discount	(315 829)	(301 881)
Amount paid - current year	(6 000 742)	(5 743 731)
Amount paid - previous years	(7 205)	-
	-	7 205
Audit fees		
Opening balance	16 509	98 101
Current year audit fee	9 323 542	6 225 849
Amount paid - current year	(9 323 542)	(6 307 441)
Amount paid - previous years	(16 509)	-
	-	16 509
PAYE, UIF and SDL		
Current year subscription / fee	92 036 184	89 222 633
Amount paid - current year	(92 036 184)	(89 222 633)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	129 984 910	124 436 807
Amount paid - current year	(129 984 910)	(124 436 807)
	-	-
VAT		
VAT receivable	656 182 536	809 391 586
VAT payable	(644 051 025)	(790 745 186)
	12 131 511	18 646 400

All VAT returns have been submitted by the due date throughout the year.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

2023	2022
R	R

57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

There were no councillor arrear accounts more than 90 days as at 30 June 2023.

Distribution Losses

In terms of section 125(2)(d)(i) of the Municipal Finance Management Act, the municipality experienced the following distribution losses for the year under review.

Electrical distribution losses (KW)

System Input	344 236 600	393 194 417
Sales	(329 632 095)	(355 429 150)
	14 604 505	37 765 267

Electricity losses are calculated as 4.24% (2022: 9.6%). Electricity losses are within the industry norm.

Water distribution losses (KL)

System Input	10 827 196	10 660 846
Sales	(7 858 877)	(8 669 713)
	2 968 319	1 991 133

Water losses are calculated as 27.42% (2022: 18.7%). Water losses are within the industry norm.

58. Retirement benefit information

The municipality makes provision for post-retirement benefits to eligible Councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

These schemes are subject to a tri-annual, bi-annual or annual actuarial valuation as set out hereunder.

SALA Pension fund

The SALA Pension Fund operates both as a defined benefit and defined contribution scheme.

The statutory valuation performed as at 1 July 2021 stated that the net assets of the fund amounted to R12 238 000 (30 June 2018: R14 299 000), with funding levels of 85.5% (30 June 2018: 96%). The actuary recommended that employers continue to contribute at the current rate of 19.18% of pensionable salary.

The actuaries are satisfied with the investment strategy of the fund.

The nature of the assets is, in their opinion, suitable for the nature of the liabilities of the Fund as defined in the rules of the fund. The matching of assets with the liabilities of the Fund is adequate; and the insurance arrangements are appropriate compared to the cover provided can be regarded as financially sound at the valuation date.

Stellenbosch Municipality

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2023	2022
R	R

58. Retirement benefit information (continued)

LA retirement Fund (Previously Cape Joint Pension Fund)

The LA RETIREMENT FUND operates both as a defined benefit and defined contribution scheme.

Defined benefit scheme

The contribution rate of the defined benefit scheme is 27%; 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2022 disclosed an actuarial valuation amounting to R1 391 841 000 (30 June 2021: R1 486 110 000), with a net accumulated surplus of R144 158 000 (2021: R69 420 000), with a funding level of 111,6% (2021: 104.9%).

Defined contribution scheme

The actuarial valuation report at 30 June 2021 indicated that the defined contribution scheme of the fund is in a sound financial position, with net assets amounting to R1 976 184 (2021: R2 082 488 000) and with a funding level of 100% (2021: 100%).

Cape Joint Retirement Fund (CRF)

The most recent statutory valuation performed as at 30 June 2022 revealed that the assets of the fund amounted to R36 502 914 (2021:R34 148 000 000), with funding levels of 131,6% and 100,4% (2021:133% and 100.5%) for the Pensions Account and the Share Account respectively. The contribution rate paid by the members 9% and the municipalities 18% is sufficient to fund the benefits accruing from the fund in the future. The actuary certified that the structure of the assets is appropriate relative to the nature of the liabilities, given normal circumstances and that the Fund is in a sound financial condition as at the valuation date.

Municipal Councillors Pension Fund

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2018 stated that the net assets of the fund amounted to R1 798 030 000 (30 June 2017: R1 480 549 000), with funding levels of 103.26% (30 June 2017: 101.31%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Actuary certified that the Fund was in a sound financial condition as at 30 June 2018, in that the assets of the fund were sufficient to cover the accrued service liabilities including the recommended Contingency Reserves in full.

The Municipal Workers Retirement Fund (Previously South African Municipal Workers Union National Provident Fund)

The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%. From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2021 stated that the assets of the fund amounted to R 10 866 257 0000 (30 June 2020: R9 021 008 000), with funding levels of 100% (30 June 2020: 100%). As a percentage of members' Fund Credits, the investment smoothing reserve has increased to 6.5% over the valuation period.

Stellenbosch Municipality

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2023	2022
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58. Retirement benefit information (continued)

National Fund for Municipal Workers

The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively. Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their pensionable salary.

The most recent statutory valuation performed as at 30 June 2019 stated that the net assets of the fund amounted to R17 107 067 000 (30 June 2018: R15 393 671 000), with funding levels of 100.40% (30 June 2018: 100.46%). The actuary certified that the assets of the fund are sufficient to cover 100.40% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

	2023 R	2022 R
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59. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 5 623 651 021.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

60. Deviations from SCM regulations - SCM Regulation 36

In terms of section 36 of the municipality SCM regulations, any deviations from SCM policy needs to be approved by the accounting officer and noted by Council. The awards listed below have been approved by the accounting officer and noted by Council.

All deviations considered by the accounting officer are processed in terms of the SCM regulations and the municipality's SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria for emergency procurements and circumstances where it is impractical or not possible to follow the official procedure.

Deviation from, and ratification of minor breaches of, the procurement processes

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the annual financial statements.

SCM paragraph reference			
36 (1)(a) i	Dispense with the official procurement processes in an emergency	6 298 623	3 563 056
36 (1)(a) ii	Dispense with official procurement processes if such goods or services are produced or available from a single source or sole provider.	335 943	9 139 368
36 (1)(a) v	Dispense with official procurement processes in any other exceptional case where it is impractical or impossible to follow the official procurement processes.	26 804 533	30 902 451
Total deviations		33 439 099	43 604 875

The deviations rand value disclosed is representative of the award value. In the event of a rates based award, an estimate is utilised based on certain projected provisions. In the event that an award value is not present, nor an estimate due to certain conditions, the actual expenditure incurred will be disclosed.

A prior period disclosure error has been corrected in the comparative disclosed figures. The error was caused by certain awards that were erroneously included. The effects of the disclosure can be seen below:

Deviations prior period disclosure error:

Amount previously disclosed	-	59 279 072
Adjustment for 36(1)(a)(i)	-	(12 892 802)
Adjustment for 36(1)(a)(ii)	-	366 883
Adjustment for 36(1)(a)(v)	-	(3 148 278)
	-	43 604 875

Stellenbosch Municipality

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2023	2022
R	R

61. Budget information

The budget has been prepared on the accrual basis of accounting in accordance with the prescripts of the Municipal budget regulations as well as MFMA budget circulars. In accordance with the Municipal budget regulations, the classification basis the municipality presents its budget is per economic as well as per functional classification (per Vote (Department) and GFS classification). It should be noted that minor budget differences between the basis the budget is prepared (accrual basis and prescripts of NT guidance) and actual financial results (accrual basis in accordance with GRAP) exists, mainly related to technical GRAP adjustments required. These differences are not material and as the basis of preparation is the same (accrual basis) no restatements have been made to the financial information compared to the budgeted amounts, but where found to be material is explained below:

Explanation of variances between approved and final budget amounts

The materiality framework of the municipality informs the determining base ranges. The framework outlines all principles and guiding practices to allow management to enforce a consistent application of the framework's guidelines. With regard to reporting, the understandability and transparency to users of the financial statements was a determining factor when deciding on the base %.

BD1 - Service Charges - Revenue from Service Charges: Electricity: Industrial was R34mil less than anticipated due to loadshedding being implemented

BD2 - Other Revenue - Development Charges revenue is R25mil more than budgeted. Development Charges to the amount of R20.9 million were received from December 2022 until June 2023

BD3 - Employee related cost -Included in the Actual of Employee related Cost is a R30.6mil actuarial gain on post employment medical benefit which was not budgeted for. This therefore reduces the total Employee related cost expenditure by R30.6mil overall

BD4 - Debt Impairment - The variance is due to the actual Contribution to impairment loss on receivables for non-exchange and exchange transactions being more than anticipated

BD5 Depreciation - The variance is due to the addition of legacy assets and the unbundled historical work-in-progress assets

BD6 - Contracted services - Savings were identified on Contractors to the value of R27.7mil.

BD7 - Other expenditure- The material variance is due to the negative R69.7mil contributions from provisions

BD8 - Cash - Loan repayments were only effected in the new financial year.

BD9 - Property, plant and equipment - Legacy assets movements were effected in the current year.

BD10 - Trade and other payables - An increase in payables was due to an increase in eskom bulk electricity and loan repayments which were not effected in the current financial year.

BD11 - Provisions - A decrease in material costs and change in interest rate caused the variance to grow larger.

BD12- Borrowings - An additional loan was taken up in the current financial year

BD13- Reserves - An increase in the surplus for the current financial year has contribution to this variance.

CF1 - . The municipality overcollected in the current year

Stellenbosch Municipality

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2023	2022
R	R

61. Budget information (continued)

CF2 - The municipality under collected this period.

CF3 - The difference stems from amounts in relation to rollover funding that was receipted and budgeted for in the prior year.

CF4 - The municipality had a underspending on employee related cost, bulk purchases and paid less suppliers than anticipated

CF5 - The municipality had an underspending on its capital expenditure budget.

CF6 - The municipality required less funding than anticipated from borrowings

CF7 - Over estimation during forecasting of other revenue.

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
62. Contingent liabilities		
SHAHIEDA JACOBSS/ STELLENBOSCH MUNICIPALITY	200 000	200 000
Shahieda Jacobs instituted legal proceedings against Stellenbosch Municipality and a municipal official for alleged sexual harassment and unfair discrimination in the Labour Court. The Municipality filed its Statement of Response to the Plaintiff's Statement of Claim. .		
RICMAL GREEN (PTY) LTD & ANOTHER / THE UNLAWFUL OCCUPIERS & OTHERS	200 000	200 000
Ricmal Green (Pty) Ltd applied for an interdict that the National Minister of Agriculture, Deputy Minister of Agriculture and the National Government be interdicted and restrained from placing any third parties in occupation of the Property or in any way encouraging, promoting, supporting and or allowing any persons to come onto the farm to occupy the Property. That the persons attempting to occupy the Property be interdicted and restrained from entering onto or remaining on the Property and erecting or attempting to erect any form of structure, be it temporary, permanent or semi-permanent of nature on the Property. Ricmal Green (Pty) Ltd also applied for an urgent eviction application in terms of rule 6(12) against all unlawful occupiers of the Property listed in Annexure A to be ordered to vacate the Property and should they fail/refuse that the Sheriff be ordered to evict them from the Property. Stellenbosch Municipality is sited as Seventh Respondent to the matter. No relief is sought against the Municipality unless the Municipality oppose the application. The Municipality was joined as the Property is situated within its jurisdiction and its statutory and/or constitutional obligations as regards the occupiers. The Municipality is supporting the application of the Applicants and filed an explanatory affidavit		
ANGELA ADELINE MOGOLEGENG / STELLENBOSCH MUNICIPALITY	100 000	100 000
Angela Adeline Mogolegeng applied for Default Judgment against Stellenbosch Municipality for alleged unfair labour practice in relation to failure to promote and/or demotion and alleged that she is being unfairly discriminated against		
SPS / STELLENBOSCH MUNICIPALITY	100 000	100 000
MZ Loghdey t/a Street Parking Solutions submitted a tender, which was awarded to him. The tender was implemented on or about 1 April 2019. A dispute arose between the parties around various issues in terms of the tender. Clause 27.1 of the GCC provides that if any dispute or difference of any kind whatsoever arises between the purchaser and the supplier in connection with or arising out of the contract, the parties shall make every effort to resolve amicably such dispute or difference by mutual consultation. Clause 27.2 provides further if, after thirty (30) days, the parties have failed to resolve their dispute or difference by such mutual consultation, then either the purchaser or the supplier may give notice to the other party of his intention to commence with mediation. No mediation in respect of this matter may be commenced unless such notice is given to the other party. Clause 27.3 provides that should it not be possible to settle a dispute by means of mediation, it may be settled in a South African court of law. Notwithstanding the above clause 27.4 provides that notwithstanding any reference to mediation and/or court proceedings herein the parties shall continue to perform their respective obligations under the contract unless they otherwise agree and the purchaser shall pay the supplier any monies due for goods delivered and/or services rendered according to the prescripts of the contract. Both SPS and the Municipality alleged that certain conditions of the tender/contract was breached and that mediation is required to solve the dispute. A mediator was appointed and a date for the mediation need to be set to argue the matter.		

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
62. Contingent liabilities (continued)		
VAN DER WESTHUIZEN, K / STELLENBOSCH MUNICIPALITY	50 000	50 000
Kyla van der Westhuizen issued summons against the Municipality for damages to her vehicle, VW Polo Cross 2015 model for allegedly colliding with a pothole. The Municipality defended the matter and filed its plea in the matter. Discovery affidavit was served and filed and a court date needs to be obtained to argue the matter.		
MHLENZE, N R / STELLENBOSCH MUNICIPALITY	325 469	325 469
Nomzi Renee Mlenze is applying to the Labour Court for condonation of the non-compliance with the time periods envisaged by the Labour Court in terms of the applicable Rules. Mlenze is employed at Stellenbosch Municipality as Senior Clerk: Accounts in the Finance Department.		
SIPHO DYIDI / STELLENBOSCH MUNICIPALITY	-	200 000
Sipho Dyidi is employed as Superintendent: Collections in the Department: Infrastructure Services who instituted legal proceedings against Stellenbosch Municipality in the Labour Court for overtime work in the amount of 111 hours, but the Municipality allegedly did not logged or captured his overtime.		
OCTOFIN COMMERCIAL (PTY) LTD / TURN AROUND	200 000	200 000
Octofin Commercial (Pty) Ltd instituted legal action against Turn Around Investments 22 (Pty) Ltd and Stellenbosch Municipality and applied for an order reviewing and setting aside the decision of the Municipality taken on 9 June 2020 to grant a permanent departure of the building line applicable to Turn Around Investment property, i.e Erf 15713 Stellenbosch. .		
STELLENBOSCH MUNICIPALITY / GREEN SPOT RECYCLING (PTY) LTD, THEIR DIRECTORS/ANY ILLEGAL OCCUPIERS AND ILLEGAL USERS OF THE LA MOTTE DEPOT	200 000	200 000
Green Spot Recycling (Pty) Ltd occupied a section of the La Motte Depot and have been operating a recycling company without any formal agreement with Stellenbosch Municipality.		
STELLENBOSCH MUNICIPALITY / DUWAINE KLEYNHANS AND ADRIAN KLEYNHANS AND ALL THOSE WHO ARE OCCUPYING THE HOUSE UNDER OR THROUGH THEM	100 000	100 000
Mr Phillips Kleynhans was allowed as caretaker by the Toy and Miniature Museum to occupy the flat at 118 Dorp Street, Stellenbosch. Mr Phillip Kleynhans passed away on or about 30 November 2016 and his right to occupy the flat in terms of his employment agreement terminated. Duwaine Kleynhans and Adrian Kleynhans are still occupying the flat and was given notice that any right of occupation of the flat at 118 Dorp Street, Stellenbosch which flows from the right of occupation of Mr Phillip Kleynhans employment contract with the Toy and Miniature Museum was terminated and that they should vacate the flat by 31 March 2020		
FRANSCHHOEK CLAIMANT'S TRUST / EXECUTIVE MAYOR: STELLENBOSCH MUNICIPALITY & OTHERS	300 000	200 000
The Franschhoek Claimant's Trust instituted review proceedings in terms of section 6 and 8 of PAJA reviewing and setting aside the Executive Mayor's decision, in her capacity as the appeal authority, to revoke the development and related approvals, granted by the Stellenbosch Municipal Planning Tribunal to the Franschhoek Claimant's Trust ("FC Trust") in respect of Erf 1692 Franschhoek ("the Property").		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
WASTEWANT WASTE MANAGEMENT (PTY) LTD / STELLENBOSCH MUNICIPALITY AND RESOURCE INNOVATIONS AFRICA (PTY) LTD	-	200 000
Wastewant Waste Management (Pty) Ltd ("Wastewant") instituted review proceedings against the decision of Stellenbosch Municipality ("the Municipality"), wherein the Municipality set aside the decision by the Bid Adjudication Committee ("BAC") to award Tender B/SM12/21 to Wastewant. Reviewing the decision of the Municipality dated 23 February 2021, wherein the Municipality awarded tender B/SM12/21 to Resource Innovations Africa (Pty) Ltd. Reviewing and declaring invalid the Appeal Authority's decision in terms of Section 62(3) of the Systems Act, to revoke the decision of the BAC, as same detracted from the rights, which accrued to Wastewant.		
STELLENBOSCH MUNICIPALITY/ILLEGAL OCCUPIERS OF THE OPEN SPACE CLOSE TO THE R44	100 000	100 000
Illegal structures were erected on the open space next to Rietenbos Primary School, Cloetesville ("the Property") close to R44. The Municipality is in the process of instituting eviction proceedings against the illegal occupiers.		
STELLENBOSCH MUNICIPALITY / SURITA LAYMAN & OTHERS	200 000	200 000
Erf 7802 Stellenbosch was incorrectly transferred to Surita Layman. Stellenbosch Municipality is applying for a rectification transfer directing that the transfer of the immovable property situated at Erf 7802 Stellenbosch to Surita Layman be set aside and an order directing the Municipality to transfer the Property to both Surita Layman and Margaret Louisa Layman		
MICHAEL SACHAR /STELLENBOSCH MUNICIPALITY	129 030	129 030
Mr Michael Sachar alleged that his Land Rover Discovery 4 3.0 TD/SD V6 Se motor vehicle on 6 August 2020 collided with a large pot hole at or near Main Road (R45 near BP Garage) Franschoek..		
STELLENBOSCH MUNICIPALITY / THE CHILDREN MR BESS AND LLEGAL OCCUPIERS	100 000	100 000
Eviction application against the children of Mr Johnny Bess, who was employed by Stellenbosch Municipality and retired from the employ of the Municipality on or about 31 July 2006. Mr Bess passed on and his children continued to occupy the house. There are various complaints from community members that the children who are currently occupying the house are involved in alleged drug dealing and anti-social behaviour. The house is vandalised and not maintained. The surrounding homeowners handed in a petition demanding that the children be evicted from the house due to an increase in illegal activities from the house, which is making living with them unbearable.		
STELLENBOSCH MUNICIPALITY / ILLEGAL OCCUPIERS OF ERF 290 RAITHBY ALSO KNOWN AS PORTION C(TRANSPORT ZONE II – PUBLIC ROAD)	100 000	100 000
Erf 150 Raithby was subdivided in terms of section 25 of the Land Use Planning Ordinance, 15 of 1985 ("LUPO") into three portions namely, Portion A, Portion B, Portion C and Remainder Portion. Portion C will be utilized for road purposes. Erf 150 Raithby was divided into Erf 288 Raithby, Erf 289 Raithby, Remainder Erf 150 Raithby and Erf 290 Raithby the zoning which is Transport Zone II for a public road. The Municipality is in the process of instituting eviction and demolition proceedings against the illegal occupiers.		

Stellenbosch Municipality

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Notes to the Annual Financial Statements

	2023 R	2022 R
62. Contingent liabilities (continued)		
STELLENBOSCH MUNICIPALITY/ THATO RUBUSHA	300 000	300 000
Review application instituted by Stellenbosch Municipality setting aside the Arbitration Award made under WCP121702 under the South African Local Government Bargaining Council to pay her compensation for additional work done.		
FORMER EMPLOYEES / SOUTH AFRICAN LOCAL GOVERNMENT BARGAINING COUNCIL & OTHERS	200 000	200 000
This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.		
This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.		
THAPELO MBASA SMITH AND OTHERS / STELLENBOSCH MUNICIPALITY	200 000	200 000
Thapelo Mbas Smith & Others applied for an interim interdict against Stellenbosch Municipality & Others pending the determination of the final relief sought in Part B of the Notice of Motion. The Municipality did not oppose the interim interdict but opposed the Review application instituted by Thapelo Mbas Smith & Others against the Municipality declaring inter alia the Municipality's decision, taken on 13 November 2020, to acquire, or accept the donation of, the Property from the Trust, to be unlawful and invalid. The Municipality subsequently filed its answering affidavit in the matter.		
LABOUR COURT REVIEW -MATUSA OBO REVONAH ANTHONY ("ANTHONY") / STELLENBOSCH MUNICIPALITY- STE10/0318	150 000	150 000
MATUSA obo Revona Anthony obtained an arbitration award against Stellenbosch Municipality in terms of which she was reinstated and certified the arbitration award in terms of section 143(3) of the LRA. They instructed the sheriff to attached the movable properties of the Municipality to be sold in execution. The Municipality instituted review proceedings against the arbitration award and stay the execution of the arbitration award.		
WS SMIT N.O & OTHERS / STELLENBOSCH MUNICIPALITY	-	200 000
Community members illegally occupied Portion 5 of Farm 183 Stellenbosch also known as Watergang. An eviction application was subsequently instituted and Acting Judge Martin granted an eviction order against the illegal occupiers. The illegal occupiers filled an appeal against the eviction order granted by Acting judge Martin which appeal is still pending. The appeal, or any proceedings before the Supreme Court or Higher Court should leave to appeal be granted and any other actions flowing from the Interdict need to be oppose.		
STELLENBOSCH MUNICIPALITY / ISAYA NKUKUMANA	-	200 000
Opinion and Review application against decision of the Chairperson in the disciplinary hearing of Isaya Nkunkumana to have the ruling on the sanction issued against Isaya Nkunkumana reviewed and set aside. Review application with condonation application was finalised and served on the respective parties.		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
SURREY HOLMES (PTY) LTD/ STELLENBOSCH MUNICIPALITY	200 000	600 000
Surrey Holmes instituted a review application against Stellenbosch Municipality for its alleged failure to make a decision in terms of section 6(2) (g) of the Promotion of Administrative Justice Act 3 of 2000 (PAJA) and directing the Municipality to perform its duties and exercise its powers by; accepting and considering the amended ceiling height of the Attic Room. The review application was opposed by the Municipality. The Municipality is in the process to provide the Rule 53 records.		
STELLENBOSCH MUNICIPALITY / LEELYN MANAGEMENT CC	200 000	200 000
Opinion and institution of Monetary claim against Leelyn Management CC for alleged parking revenue collected on behalf of the Municipality which was not paid over by Leelyn Management CC to the Municipality.		
JVZ CONSTRUCTION (PTY) LTD / STELLENBOSCH MUNICIPALITY	-	700 000
JVZ Construction instituted review proceedings against Stellenbosch Municipality's decision to cancel Bid No B/SM50/20: The Construction of Skilpadvlei Reservoir and Associated Work ("the Reservoir tender") and Bid B/SM51/20: The Construction of Skilpadvlei Bulk Water Supply and Associated Works ("the Water Supply Tender"). Directing the Municipality to adjudicate and award the Reservoir tender and the Water Supply tender and to pay JVZ's cost of the matter.		
STELLENBOSCH MUNICIPALITY / OSCAN INVESTMENTS ENTERPRICE (PTY) LTD	485 200	485 200
Property owner of Erf 1727 Stellenbosch erected a fence which encroach on municipal public open space. The Municipality needs to apply for a demolition order if the owner refuse/fail to remove the illegal wooden fence. Notice was served on the property owner to address the issues highlighted in the letter of refusal of the building plan and to resubmit the building plan together with the requested information and documents required alternatively to have the illegal fence removed. Should the property owner not comply with the notice served, the Municipality will proceed with the demolition application of the illegal fence.		
STELLENBOSCH MUNICIPALITY / FRANCOIS JANSEN	-	50 000
Application for eviction of unlawful occupants from municipal property.		
STELLENBOSCH MUNICIPALITY / TANIA WASMUTH AND OTHERS	50 000	50 000
Application for eviction of unlawful occupants from municipal property.		
STELLENBOSCH MUNICIPALITY / COBUS VISAGIE	50 000	50 000
Approximately R684 000.00 owed by Cobus Visagie for a tender to harvest wood.		
SECURITEM (PTY) LTD/STELLENBOSCH MUNICIPALITY	200 000	200 000
Securitem instituted legal action against the Municipality to pay VAT on top of their tender price. The Municipality is of the view that VAT was included in the tender price submitted by SECURITEM and opposed the application.		

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	2023 R	2022 R
62. Contingent liabilities (continued)		
FUSION PROPERTIES 233 CC / THE MUNICIPALITY OF STELLENBOSCH	33 465 000	33 465 000
<p>This matter involves a summons issued against the Municipality for alleged damages pursuant to the sale of certain immovable property belonging to the Municipality. The amount claimed is R32 115 000.00 together with interest calculated at the rate of 9% per annum from 28 July 2015. The Municipality is defending the action. Pleadings have closed, however, the action is currently stayed. The Plaintiff, having been unsuccessful in its appeals against the High Court's judgment to furnish security, must now furnish security prior to proceeding with the action. The Plaintiff's attorneys of record have, however, withdrawn and the Plaintiff has not taken any steps to advance the matter since February 2021..</p>		
INDEPENDENT SCHOOLS ASSOCIATION OF SOUTHERN AFRICA / ETHEKWINI MUNICIPALITY / STELLENBOSCH MUNICIPALITY & OTHERS	-	250 000
<p>This matter involves an application on behalf of the Municipality to be joined as co-applicant together with eThekweni Municipality in an application for the review and setting aside of the Amended Municipal Property Rates Regulations promulgated on 12 March 2010. The Municipality has been joined successfully as co-applicant.</p>		
STELLENBOSCH MUNICIPALITY / KLAPMUTS MEDIATION	250 000	250 000
<p>Municipality under obligation to provide emergency housing to evictees of various eviction orders in Klappmuts. Klappmuts community has threatened violence against evictees and destruction of property should the municipality proceed to utilise Klappmuts housing facilities for evictees rather than for members of the Klappmuts community. Independent expert mediator appointed to facilitate mediation which is currently pending. Mediator had meetings with the community and a committee was elected to discuss the matter and proposals made. The chairperson of the Committee was not available for a period to attend meetings and new proposed dates were arranged by the mediator for such meetings. The community still refuse the Municipality to implement emergency housing.</p>		
STELLENBOSCH MUNICIPALITY/ NE PROPERTIES (PTY) LTD	200 000	200 000
<p>Application to declare the dissolution of NE Industries void in terms of section 83(4) of the Companies Act and to direct the Companies and Intellectual Property Commission of South Africa to restore NE Industries' name to the register of companies. NE Industries was deregistered and its name was removed from the register of companies on 16 July 2010 due to its failure to file its annual returns. NE Industries is the single largest debtor on the Municipality's debtor's book. The Municipality wants to collect the outstanding amount due to it but established that NE Industries was deregistered as a result of its failure to file its annual returns and its name was removed from the register of companies.</p>		
STELLENBOSCH MUNICIPALITY / IMATU ON BEHALF OF EMPLOYEES	-	200 000
<p>Review application instituted against the arbitrator's award by Commissioner Der Vlieger-Seynhaeve including application for condonation and to oppose the application for contempt of court proceedings instituted by IMATU obo Deidre Jeffthas</p>		
STELLENBOSCH MUN / MOFFAT & OTHERS	100 000	100 000
<p>Kyla van der Westhuizen issued summons against the Municipality for damages to her vehicle, VW Polo Cross 2015 model for allegedly colliding with a pothole. The Municipality defended the matter and filed its plea in the matter. Discovery affidavit was served and filed and a court date needs to be obtained to argue the matter.</p>		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
STELLENBOSCH MUNICIPALITY / CHOISY –LE-ROI OWNERS (PTY) LTD	200 000	200 000
<p>Review application instituted by the owner of Erf 13500 Technopark, Stellenbosch against the appeal judgment of the Executive Mayor. The Municipality served and filed notice of opposition against the application. Rule 53 record was subsequently filed at court.</p> <p>Choisy-le-Roi supplemented their application and the Municipality served and filed its answering affidavit. A court date needs to be obtained to argue the matter.</p>		
STELLENBOSCH MUNICIPALITY / FORMER EMPLOYEE	200 000	200 000
<p>Review Application instituted in the Labour Court against the disciplinary sanction of the chairperson in the disciplinary hearing of Leon Lourens.</p> <p>Leon Lourens was found guilty on three charges, which involves dishonesty but was not dismissed by the chairperson.</p> <p>The Municipality has served and filed its founding affidavit to have the ruling of the chairperson set aside and replace for a dismissal. The Municipality is in the process of transcribing the recordings of the hearing whereafter Leon Lourens will provide its answering affidavit in the matter.</p>		
DEON GARDEN & CONSTRUCTION CC / STELLENBOSCH MUNICIPALITY	200 000	200 000
<p>Monetary claim in the amount of R4 374 192.67 including interest at a rate of 7.75% per annum for alleged damages suffered by Deon Garden & Construction CC. The Municipality defended the claim instituted and is in the process of finalising its plea in the matter..</p>		
STELLENBOSCH MUNICIPALITY / EX-EMPLOYEES WHO OCCUPY THE DEVON VALLEY HOUSING STOCK	200 000	200 000
<p>Eviction of ex-employees who occupy the Devon Valley Housing Stock of the Municipality which can only be utilised by employees working in Engineering Directorate</p>		
LJ TURNKEY INVESTMENTS (PTY) LTD / STELLENBOSCH MUNICIPALITY	1 552 000	1 552 000
<p>LJ Turnkey Investments (Pty) Ltd ("LJ Turnkey") issued summons against Stellenbosch Municipality for alleged damages suffered by LJ Turnkey as a result of the Municipality allegedly refusing to consider its application submitted for a determination of zoning as contemplated in section 15(2)(m) of the Land Use Planning By-law.</p>		
STELLENBOSCH MUNICIPALITY / LJ TURNKEY INVESTMENTS (PTY) LTD	250 000	250 000
<p>The owner of Portion 9 of Farm 100 Stellenbosch ("the Property") applied for a declaratory order that the Property is being utilised for residential purposes and thus effectively allows them to utilise the Property for student accommodation. The Municipality opposed the declaratory order and filed its answering affidavit.</p> <p>The Municipality has instituted a counter-application in the form of, amongst others, interdict proceedings against the owner's illegal utilisation of the property for student and/or any other rental accommodation. The Municipality has also instituted a chamber book application to compel the owner, LJ Turnkey Investments (Pty) Ltd, to serve and file its answering affidavit in the counter-application. LJ Turnkey Investments (Pty) Ltd has now served its replying affidavit in the main application as well as it answering affidavit in the counter (interdict) application. LJ Turnkey Investments (Pty) Ltd also filed a Notice of Intention to Amend and an application to have certain parts or paragraphs of the Municipality's affidavits struck out. The Municipality has filed its replying affidavit in the counter-application and the matter has been set down for hearing on 17 October 2022. This matter does not involve any amounts claimed.</p>		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
STELLENBOSCH MUNICIPALITY / JW ANGUS PROPERTIES (PTY) LTD AND JUNO CORP	250 000	250 000
Interdict application instituted against JW Angus Properties (Pty) Ltd, the owner of erven 144 Klampmuts and 149 Klampmuts, who is operating or allowing Juno Corp to utilise Erf 144 Klampmuts and 149 Klampmuts for industrial related activities such as operating a Wash Bay for trucks on Erf 149 Klampmuts and utilising Erf 144 Klampmuts for parking of trucks, storage of trucks in contravention of the approved zoning of the Property and to operate a business that uses trucks to collect and transport waste..		
STELLENBOSCH MUNICIPALITY / GAYNOR SKIPPERS AND ALL OTHER ILLEGAL OCCUPIERS	100 000	100 000
Eviction of Gaynor Skippers and all other illegal occupiers who illegally occupy the road reserve, Torrey Street, Jamestown		
FORMER EMPLOYEE / STELLENBOSCH MUNICIPALITY	200 000	200 000
Application instituted by Elizabeth Rhoda against Stellenbosch Municipality to have her reinstated retrospectively with accumulated benefits and salary or adjustments and that the Municipality pay compensation to her in the amount of 12 months' salary including the cost of suit as well as a condonation application for the late submission of her application. The application was opposed by the Municipality and the Municipality is in the process to serve and file its Statement of Defence.		
DB PROPERTY DEVELOPMENT COMPANY (PTY) LTD / EXECUTIVE MAYOR: STELLENBOSCH MUNICIPALITY & OTHERS	500 000	-
On 2 June 2020 the Director: Planning and Economic Development approved, subject to certain conditions, DB Property Development Company (Pty) Ltd ("DB Property") land use application for the rezoning, consent use, departure and temporary departure in relation to Portion 43 of Farm No 65 Stellenbosch Division ("the Property"). On 22 June 2020 DB Property submitted an appeal to the Executive Mayor against the two conditions. On 24 May 2021 the Executive Mayor, acting in her capacity as the Appeal Authority, issued her appeal decision dismissing DB Property's appeal against these two conditions. DB Property instituted review proceedings and applied setting aside two conditions of the 2020 Approval in terms of section 6 and 8 of the Promotion of Administrative Justice Act, 3 of 2000..		
CHRISTO HENRY BOLTNEY / STELLENBOSCH MUNICIPALITY	100 000	-
Christo Henry Boltney ("Boltney") sued the Municipality for injuries obtained due to falling into an open manhole, which had no manhole cover. The insurer defended the matter on the Municipality's behalf and appointed attorneys whereafter a notice of intension to defend the matter was filed on 29 March 2018. According to Boltney, the attorneys appointed delivered a notice of withdrawal on 5 July 2018 and on 4 June 2019 served a notice of bar to be served on the Municipality by the sheriff. Despite a notice of bar being served, the Municipality failed to deliver its plea. The applicant applied for default judgment. Attorneys was appointed to defend the application for default judgment. The parties agree to allow the Municipality to file its plea in the matter, which the Municipality subsequently filed. The Plaintiff filed its Rule 37 Questionnaire in this matter.		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
STELLENBOSCH MUNICIPALITY // CABZUS (PTY) LTD	200 000	-
<p>Cabzus (Pty) Ltd instituted review proceedings against the Municipality reviewing and setting aside the decision taken on 13 April 2022 requiring Cabzus to pay an alternative building plan fee in the amount of R652 801.41 and or the refusal as communicated to Cabzus on 24 June 2022 to reconsider the imposition of the alternative building plan fee and ordering the Municipality to repay the amount of R652 801.41 including interest thereon.</p> <p>The Municipality opposed the application and filed its notice of opposition. The Rule 53 record was also filed.</p> <p>We await Cabzus supplementary affidavit in this matter.</p>		
STELLENBOSCH MUNICIPALITY/ FRANSCHHOEK JEUGSENTRUM TRUST	100 000	-
<p>Legal opinion requested from attorneys to establish whether the trustees including Mr Van der Westhuizen were entitled to amend the trust deed and clause 12 thereof without a resolution from Stellenbosch Municipal Council and if not what legal steps can be taken against them.</p> <p>Opinion obtained to apply to Court for a declaratory order.</p>		
MUNICIPAL LANDFILL SITE	-	-
<p>The municipality has a present obligation to rehabilitate the landfill site which stems from licensing agreements 16/2/7/G203/D16/Z1/P331) issued in terms of the Environmental Conservation Act, 1989 (Act 73 of 1989), E13/2/10/7-B4/37-WL0077/11 issued in terms of the National Environmental Management: Waste Act, 2008 (Act no. 59 of 2008) (NEMWA) and license number 19/2/5/1/B4/46/WL0118/14 issued in terms of NEMWA. The obligation is immediately enforceable upon closure of the landfill site. As part of these licensing obligations, the municipality is responsible for post-closure obligations namely, ground water monitoring, decommissioning, monitoring committee and gas monitoring. The duration of the time for the cost to be incurred is contingent on the decision making of the regional director as stipulated in the licence conditions. At 30 June 2023, a decision has not been made by the regional director on the post-closure obligations for the municipality as per the licence agreements, as a result thereof, a reliable estimate of the costs to be incurred cannot be reliably estimated due to the uncertainty of the key events contained within the licencing conditions. .</p>		
STELLENBOSCH MUNICIPALITY/ ELIZABETH RHODA	200 000	-
<p>Unfair discrimination referred by Elizabeth Rhoda to the CCMA under case number WECT4519-18 on or during 13 March 2018 under section 10(2) of the Employment Equity Act. Rhoda submitted that the discrimination was ongoing since 2015 and that no condonation was required. She did not apply for condonation and the commissioner found against her. Rhoda took the matter on review and the Labour Court found in her favour. Rhoda applied for a date to set her unfair discrimination dispute under case number WECT4519-18 down for hearing and to have the directive of 12 August 2021 reviewed and set aside.</p> <p>The matter was argued before the CCMA and pursuant thereto set down for conciliation. The dispute remains unresolved and a certificate was issued by the CCMA that the dispute remains unresolved and that same should be referred to the Labour Court.</p>		

Stellenbosch Municipality

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	2023 R	2022 R
62. Contingent liabilities (continued)		
STELLENBOSCH MUNICIPALITY/ HANNIEL TRUST (TENDER)	200 000	-
<p>Hanniel Trust instituted review proceedings against Stellenbosch Municipality refusing the Trust's application in terms of section 15(2) of the Planning By-law for the removal of conditions 1.B and 3B in Title Deed T.57549/2006, and (ii) a Consent Use on Erf 275 Klapmuts for Transport Purposes (goods).</p> <p>The Municipality opposed the application and filed the Rule 53 record. Hanniel Trust provided an undertaking not to utilise the property in contravention of the zoning until such time as the review application is finalised. We await the supplementary affidavit of the Hanniel Trust.</p>		
	42 906 699	43 906 699

Stellenbosch Municipality

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2023	2022
R	R

63. Segment information

General information

Identification of segments

The municipality is organised and reports to management on the basis of four major functional areas. These four functional segments are governance and administration, community and public safety, economic and environmental services as well as trading services. The segments were organised around the type of service delivered and the target market.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Reportable segments are identified based on activities performed of the municipality that generates economic benefits or service potential including internal services that contribute to achieving the municipality's objectives without necessarily generating net cash inflows.

Management has only identified segment information for which data is reported on and reviewed during the decision making process of the municipality. Aspects relating to GRAP 18 paragraph 21 (a) - (j) which does not form part of the review process of the management reports will not form part of the segment information.

Segmental reporting was based and identified on the MFMA S71 monthly budget statements/reports that are reviewed by senior management and council to make strategic decisions and in monitoring segment performance. The disclosure of information about segments in these reports are organised around the type of service delivered, in a standardised format namely the C2 schedule. This is considered appropriate for external reporting purposes to achieve the objectives of GRAP 18.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Community and public safety	Primary services providing community safety, crime prevention and law enforcement.
Governance and administration	Primary services in relation to financial management, financial and governance decision making.
Economic and environmental services	Urban and developmental planning in accordance with therelevant laws and regulations. Environmental planning and protection for long term sustainability.
Trading services	Primary basic service provision including water, electricity, sanitation and refuse.

Stellenbosch Municipality

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				2023	2022
				R	R
63. Segment information (continued)					
2023					
	Community and public safety	Economic and environmental services	Trading services	Governance and administration	Total
Segment revenue					
External revenue from non-exchange transactions	15 532 596	230 422 659	134 199 757	525 398 218	905 553 230
External revenue from exchange transactions	21 222 599	35 635 441	1 179 934 324	16 527 378	1 253 319 742
Interest revenue	-	-	-	42 250 158	42 250 158
Total	36 755 195	266 058 100	1 314 134 081	584 175 754	2 201 123 130
Segment expenses					
Total segment expenses	(248 106 928)	(228 455 112)	(921 496 199)	(256 646 701)	(1 654 704 940)
Depreciation and amortisation	(21 771 487)	(59 374 301)	(134 445 581)	(16 087 633)	(231 679 002)
Interest expense	-	-	(58 752 378)	(1 176 080)	(59 928 458)
Contribution to/from provisions	-	-	69 693 846	-	69 693 846
Debt impairment	(3 256 570)	(40 520 185)	(23 735 813)	(3 209 512)	(70 722 080)
Inventory losses/write downs	(25 000)	-	-	(364 308)	(389 308)
Cost of housing sold	(150 000)	-	-	-	(150 000)
Total	(273 309 985)	(328 349 598)	(1 068 736 125)	(277 484 234)	(1 947 879 942)
Surplus for the year	(236 554 790)	(62 291 498)	245 397 956	306 691 520	253 243 188
Other information					
Total capital expenditure	15 395 152	73 678 259	199 782 628	31 111 831	319 967 870

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

					2023 R	2022 R
63. Segment information (continued)						
2022						
	Community and public safety	Economic and environmental services	Trading services	Governnance and admin	Other	Total
Segment revenue						
External revenue from non-exchange transactions	34 623 159	200 437 102	116 927 729	478 588 023	-	830 576 013
External revenue from exchange transactions	14 528 847	43 932 378	1 115 952 619	20 197 673	102 555	1 194 714 072
Interest revenue	-	-	15 296	18 755 045	-	18 770 341
Total	49 152 006	244 369 480	1 232 895 644	517 540 741	102 555	2 044 060 426
Segment expenses						
Total segment expenses	(218 440 294)	(262 650 164)	(868 736 705)	(264 309 765)	-	(1 614 136 928)
Depreciation and amortisation	(20 317 177)	(48 137 739)	(121 729 729)	(28 508 474)	-	(218 693 119)
Interest expense	-	-	(44 415 523)	83 159	-	(44 332 364)
Contribution to/from provisions	-	-	(6 287 548)	-	-	(6 287 548)
Debt impairment	-	(15 626 017)	(30 448 104)	(5 637 244)	-	(51 711 365)
Inventory losses/write downs	5 000	-	-	110 859	-	115 859
Cost of housing sold	(345 000)	-	-	-	-	(345 000)
Total	(239 097 471)	(326 413 920)	(1 071 617 609)	(298 261 465)	-	(1 935 390 465)
Surplus for the year	(189 945 465)	(82 044 440)	161 278 035	219 279 276	102 555	108 669 961
Other information						
Total capital expenditure	45 072 208	93 897 819	172 584 668	23 934 055	-	335 488 750

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies..

Information about geographical areas

All the municipality's operations are located in the Republic of South Africa in the Cape Winelands area. Information to report on different geographical areas is not available would be expensive and impractical to develop.:

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

64. Prior period error and reclassification

The following restatements and adjustments occurred which are set out below:

64.1 Adjustments of Statement of financial position items

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Assets					
Current assets					
Cash and cash equivalents	3	137 877 710	-	-	137 877 710
Short term investments	5	305 522 446	-	-	305 522 446
Receivables from exchange transactions	6	169 893 585	-	-	169 893 585
Receivables from non-exchange transactions	8	67 176 042	-	-	67 176 042
Inventories	7	29 030 067	-	-	29 030 067
Other receivables from exchange transactions	4	23 237 334	-	-	23 237 334
VAT Control		18 651 433	-	-	18 651 433
		751 388 617	-	-	751 388 617
Non-current assets					
Investment property	10	411 892 012	15 848 043	-	427 740 055
Property, plant and equipment	11	5 562 988 212	11 154 389	-	5 574 142 601
Intangible assets	12	7 067 124	-	-	7 067 124
Biological assets	13	5 142 777	-	-	5 142 777
Heritage assets	14	1 036 828	-	-	1 036 828
Long-term receivables	15	6 720 631	-	-	6 720 631
		5 994 847 584	27 002 432	-	6 021 850 016
Total assets		6 746 236 201	27 002 432	-	6 773 238 633
Net assets and liabilities					
Current liabilities					
Consumer deposits	16	22 154 833	-	-	22 154 833
Employee benefits	20	60 750 863	(1 164 517)	-	59 586 346
Lease liabilities	21	2 118 022	-	-	2 118 022
Borrowings	19	51 902 261	-	-	51 902 261
Trade and other payables	18	267 827 729	74 382	-	267 902 111
Payables from non-exchange transactions	17	31 403 223	(1 706 950)	-	29 696 273
		436 156 931	(2 797 085)	-	433 359 846
Non-current liabilities					
Employee benefits	19	204 100 717	-	-	204 100 717
Borrowings	18	426 834 231	-	-	426 834 231
Provisions	17	160 533 093	-	-	160 533 093
		791 468 041	-	-	791 468 041
Total net assets					
Reserves		162 490 627	-	-	162 490 627
Accumulated surplus		5 356 120 602	29 791 993	-	5 385 912 595
		5 518 611 229	29 791 993	-	5 548 403 222
Total net assets and liabilities		6 746 236 201	26 994 908	-	6 773 231 109

Stellenbosch Municipality

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Notes to the Annual Financial Statements

64. Prior period error and reclassification (continued)

64.2 Adjustments of Statement of financial performance items

2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue					
Non-exchange revenue					
Property rates	23	414 445 896	-	-	414 445 896
Transfers and subsidies	24	289 060 524	1 706 950	-	290 767 474
Fines, penalties and forfeits	25	122 933 462	-	-	122 932 562
Interest on receivables	26	2 430 082	-	-	2 430 082
		828 869 964	1 706 950	-	830 576 014
Exchange revenue					
Services charges - Electricity	27	756 431 257	-	-	756 431 257
Services charges - Water	27	146 829 883	-	-	146 829 883
Services charges - Waste water management	27	102 285 414	-	-	102 285 414
Services charges - Waste management	27	84 651 895	-	-	84 651 895
Rental	28	12 172 871	-	-	12 172 871
Interest on investments	29	18 770 341	-	-	18 770 341
Interest earned from receivables	26	10 428 555	-	-	10 428 555
Licences or permits	30	7 809 443	-	-	7 809 443
Agency services	31	3 019 961	-	-	3 019 961
Operational revenue	32	11 051 156	-	30 472 217	41 523 373
Sales of goods and rendering of services	33	60 032 736	-	(30 472 217)	29 561 419
		1 213 483 512	-	-	1 213 484 412
Total revenue		2 042 353 476	1 706 950	-	2 044 060 426
Expenditure					
Employee related cost	35	(550 719 139)	1 164 517	-	(549 554 622)
Remuneration of councillors	36	(19 815 248)	-	-	(19 815 248)
Depreciation and amortisation		(84 984 896)	-	-	(84 984 896)
Depreciation, amortisation and impairment	38	(211 023 051)	(7 677 589)	-	(218 700 640)
Impairment losses		(2 722 872)	-	-	(2 722 872)
Finance costs	40	(44 332 364)	-	-	(44 332 364)
Bulk Purchases	41	(559 177 188)	-	(252 202)	(559 429 390)
Inventory consumed	42	(44 872 633)	-	252 202	(44 620 431)
Contracted services	43	(208 232 448)	-	-	(208 232 448)
Transfers and subsidies	44	(13 363 879)	-	-	(13 363 879)
Operational Cost	45	(113 472 212)	-	-	(113 472 212)
Operating leases	46	(14 990 534)	-	-	(14 990 534)
Contribution to/from provision		(6 287 548)	-	-	(6 287 548)
Contribution to allowance for doubtful debt		(51 711 364)	-	-	(51 711 364)
Loss on disposal of assets	39	(76 275)	(2 987 400)	-	(3 063 675)
Inventory (write down)		(115 859)	-	-	(115 859)
Total expenditure		(1 925 897 510)	(9 500 472)	-	(1 935 397 982)

Stellenbosch Municipality

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Notes to the Annual Financial Statements

64. Prior period error and reclassification (continued)

64.3 Correction of errors

The following prior period errors adjustments occurred:

Property, plant and equipment

Items of property, plant and equipment was identified as not present on the fixed asset register. Consequently these items were capitalised on the fixed asset register. Movable items were also not found during the annual stock take, these items consequently disposed of in the fixed asset register. There were also changes in residual values in the current year. The effect of these items are presented below:

Nature of error

Amount previously reported	- 5 562 988 212
Correction of error - Accumalated surplus	- 18 749 630
Correction of error - Payables from exchange	- 74 381
Correction of error - Depreciation reversal	- (7 670 070)
	<hr/>
	- 5 574 142 153
	<hr/>

Investment property

Investment property items were erroneously excluded from the fixed asset register.

Nature of error

Amount previously reported	- 411 892 012
Additions to the fixed asset register - Accumalated surplus	- 16 330 000
Disposals of property, plant and equipment	- (481 500)
Correction of error - Depreciation	- (448)
	<hr/>
	- 427 740 064
	<hr/>

Employee Benefits

An amount of R1 164 517 was incorrectly paid out an incorrect vote. This was subsequently corrected. The contra leg for this correction was the employee related cost.

Nature of error

Amount previously reported	- 60 750 863
Correction of error - Employee related costs	- (1 164 517)
	<hr/>
	- 59 586 346
	<hr/>

Payables from non-exchange transactions

Revenue recognised erroneously in relation of grants received.

Nature of error

Amount previously reported	- 31 403 223
Correction of error - Transfers and subsidies	- (1 706 950)
	<hr/>
	- 29 696 273
	<hr/>

Stellenbosch Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

64. Prior period error and reclassification (continued)

Loss of disposal of assets

This error relates to items of property, plant and equipment which was disposed of in prior years.

Nature of error

Amount previously reported	-	(76 275)
Correction of error - Assets disposed	-	(2 987 400)
	-	(3 063 675)

64.4 Reclassification

Operational revenue/Sale of goods and rendering of services

The development charges was reclassified from sale of good and rendering of services to operational revenue. This reclassification comes as part of the change in the mSCOA chart.

Nature of reclassification

Sale of goods and rendering of services	-	30 472 217
Operational revenue	-	(30 472 217)
	-	-

Inventory Consumed/Bulk purchases

An item previously utilised under inventory consumed has now formed part of the bulk purchases line item.

Nature of reclassification

Inventory consumed	-	(252 202)
Bulk purchases	-	252 202
	-	-

Notes to the Annual Financial Statements

65. Additional disclosure in terms of the Broad-Based Black Economic Empowerment Act

Information on compliance with the Broad-Based Black Economic Empowerment Act (B-BBEE) is included in the Annual Report under the section titled Employment Equity.

66. Events after the reporting date

The subsequent approval of the upper limits in relation to remuneration of councillors provides evidence of a condition that existed at the reporting date, which is the unrecognised contingent liability as well as the councilors performing the services during the year. The above event constitutes an adjusting event after the reporting period in terms of paragraph 7 of GRAP 14 and will affect the payables from exchange transactions and the remuneration of councillors line items in the annual financial statements.